

## Estimated Tax Payment Requirements

### **New Quarterly Estimated Payment Requirements and a Reduced Penalty Rate**

The Tennessee General Assembly recently passed legislation (Public Chapter 881, (2016)) that lowered the required minimum quarterly payments for estimated tax and reduced the rate of estimated payment penalty for tax years beginning on or after January 1, 2016.

### **Estimated Tax Payment Requirement Based on the Combined Franchise and Excise Tax Liability**

Taxpayers are required to make estimated tax payments when there is a combined franchise and excise tax liability of \$5,000 or more, after applicable tax credits, for *both* the prior tax year (annualized if the tax period was less than 12 months) and the current tax year. If the total liability for the prior tax period or the projected liability for the current tax period is not \$5,000 or more, no estimated tax payments are required. For example, if a taxpayer's franchise and excise tax liability was \$6,000 last year, but only \$4,000 this year, the taxpayer is not required to file estimated payments for the current or the following tax year.

### **Quarterly Estimated Tax Payments for Tax Years Beginning on or after January 1, 2016**

If the taxpayer must make estimated tax payments, then the required minimum quarterly payment amount is based on the lesser of 100 percent of the prior year's liability (annualized if the tax period was

less than 12 months) or 80 percent of the current year's liability. Four equal quarterly payments are due on or before the 15<sup>th</sup> day of the fourth, sixth, and ninth months, with the final payment on the 15<sup>th</sup> day of the first month of the succeeding tax year.

### **Penalty Rate for Delinquent and Deficient Estimated Tax Payments for Tax Years Beginning on or after January 1, 2016**

The penalty rate for delinquent and deficient estimated payments is two percent per month, up to a maximum of 24 percent.

The new law adds a provision in the penalty waiver statute to allow the Commissioner more flexibility in waiving such penalties. It clarifies that a taxpayer's previous deficient payments may still be considered timely for the purpose of evaluating a two year filing history.

### **For More Information**

Visit [www.tn.gov/revenue](http://www.tn.gov/revenue). Click on Revenue Help to search for answers or to submit an information request to one of our agents.

### **References**

Tenn. Code Ann. § 67-1-803(d)(3), Tenn. Code Ann. § 67-4-2015

**NOTE:** The annualized income method may be used to compute the estimated payment amount for tax periods beginning January 1, 2017. See [Important Notice 17-15](#).

**Disclaimer:** The information provided here is current as of the date of publication but may change as a result of new statutes, regulations, or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the department or your tax professional for further guidance.