

Instructions

This form is primarily for first time payers. You will need this form to make all of your estimated income tax payments for the year. Next year, you will be mailed forms pre-printed with your name, address, and social security number to use when you make your estimated income tax payments.

“**Estimated Income Tax**” is the amount of income tax you expect to owe for the year after subtracting the amount of tax you expect to have withheld and the amount of any tax credits you plan to claim.

Who Must Make Estimated Income Tax Payments

You should make estimated income tax payments if the tax due on your individual tax return, reduced by the amount of tax withheld and tax credits, will be \$1,000 or more.

You should estimate your income tax carefully to avoid having to pay a large balance when you file your income tax return (Form D-400) and to avoid a penalty for underpayment of estimated income tax (see discussion on **Penalty for Failure to Pay Your Estimated Income Tax**). You may find it convenient to increase your withholding tax to avoid paying estimated income tax. If you do choose to increase the amount withheld, you should make sure the balance due on your income tax return will be less than \$1,000.

When To Pay Your Estimated Income Tax

Generally you must make your first estimated income tax payment by April 15. You must either pay all of your estimated income tax at that time or pay in four equal amounts on or before **April 15, June 15, September 15 and January 15** of the following year. When the due date for the estimated income tax payment falls on a Saturday, Sunday or holiday, the payment is due on or before the next business day.

Although a payment of estimated income tax may not be due on April 15 based on your situation at that time, your expected income or exemptions may change so that a payment is due at a later date. In such cases, the payment dates are as follows:

If requirement is met after: Payment date is:

-April 1 and before June 1	June 15
-June 1 and before September 1	September 15
-September 1	January 15

If the first estimated income tax payment you are required to make is due after April 15, or if you are required to change your payments after paying the first installment, you should pay the remaining installments as follows:

If the installment is due-

June 15: pay 1/2 of the balance of the net estimated income tax at that time, 1/4 of the balance on September 15 and the remaining 1/4 on January 15.

September 15: pay 3/4 of the balance of the net estimated income tax at that time and the remaining 1/4 on January 15.

If you file your income tax return (Form D-400) by January 31 of the following year and pay the entire balance due, you do not have to make the payment which would otherwise be due on January 15.

Farmers and Fishermen

If at least two-thirds of your estimated gross income is from farming (including oyster farming) and/or commercial fishing, your estimated income tax may be paid at any time on or before January 15 of the following year. If your income tax return (Form D-400) is filed and the total tax is paid on or before March 1, you do not have to make an estimated income tax payment.

Fiscal Year

If your income is reported on a fiscal year basis, your due dates are the 15th day of the 4th, 6th and 9th months of your fiscal year, and the first month of the following fiscal year. For more information on how to complete the Form NC-40 when paying your estimated income tax on a fiscal year basis, please refer to the instructions on **Completing the Estimated Income Tax Form (NC-40)** on this page.

Penalty for Failure to Pay Your Estimated Income Tax

You may be charged a penalty for underpayment of estimated income tax or for not making payments on time. The penalty does not apply if each installment payment is timely and equals twenty-five percent (25%) of the lesser of: (a) 90% (66 2/3% for farmers and fishermen) of the tax due on your current year's return; (b) 100% of the tax due on your previous year's return, if your previous year's return was a taxable year of 12 months and a return was filed for that year; or (c) 90% of the tax figured by annualizing the taxable income received during the year up to the month in which the installment is due.

An underpayment penalty does not apply if you had no tax liability for the previous year.

Compute the penalty on **Form D-422, Underpayment of Estimated Tax by Individuals**. You may obtain the form by writing the N.C. Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001, by calling the Department's forms line at (919) 715-0397, or from the Department's website at www.dor.state.nc.us.

Completing the Estimated Income Tax Form (NC-40)

The detachable estimated income tax forms are located on Pages 2 and 3. The instructions that follow will help you complete the forms correctly.

(1) First complete the worksheet on Page 2 to determine your estimated income tax for the tax year.

(2) When sending your first payment, use the detachable NC-40 form at the bottom of Page 3. Enter your name, address, and social security number in the space provided on the form. **If you intend to file a joint income tax return, please enter your name and social security number and your spouse's name and social security number on the form.** Enter in the applicable box the year for which the payment is intended. Fiscal year taxpayers enter the beginning and ending dates of the fiscal year in the boxes provided. It is important to tear the NC-40 forms from the bottom up (page 3 to page 2) to keep the instructions from becoming separated until the final payment is made.

(3) Enter one-fourth (1/4) of the amount shown on Line 9 of the worksheet in the space marked “**Amount of this Payment**” on the NC-40 form. (EXCEPTION: If you paid too much tax on your income tax return (Form D-400) for the previous year, you may have chosen to apply the overpayment to your estimated income tax for the following year. If so, you may apply all or part of the overpayment to any estimated income tax installment. Send Form NC-40 only when you are making a payment.)

(4) Detach the form at the perforations.

(5) Make your check or money order payable to the N.C. Department of Revenue. **Pay in U. S. currency only. Please do not send cash.**

(6) Enter your social security number on your check or money order.

(7) Mail the completed estimated income tax form (NC-40) with your payment to: **NC Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0630.**

(8) To insure proper credit, please **do not fold the form or the payment. Do not staple, tape, or otherwise attach your payment to the form.**

Worksheet for Computation of Estimated N.C. Income Tax

1. Estimated Federal Taxable Income	1.	
2. Estimated Additions to Federal Taxable Income - including, but not limited to, interest income from obligations of states other than N.C.; state income tax deduction; standard deduction and personal exemption adjustments. (See <i>Individual Income Tax Instructions for Form D-400</i>).....	2.	
3. Add Lines 1 and 2 and enter the total.....	3.	
4. Estimated Deductions from Federal Taxable Income - including, but not limited to, interest income from obligations of the U. S. or its possessions; public or private retirement pay exclusions; taxable amount of social security and railroad retirement benefits; state tax refund if included in federal income (See <i>Individual Income Tax Instructions for Form D-400</i>).....	4.	
5. Estimated North Carolina Taxable Income (Line 3 minus Line 4).....	5.	
6. Amount of Tax - Use the tax rates shown below.....	6.	
7. A. Estimated N.C. Tax to be withheld..... A. _____		
B. Estimated Tax Credits..... B. _____		
8. Add lines 7A and 7B.....	8.	
9. Estimated Income Tax (Line 6 minus Line 8) If \$1,000 or more, fill out and mail the estimated income tax form along with your payment; if less than \$1,000, no payment is required at this time.....	9.	
10. If the first payment you are required to make is due April 15th, enter 1/4 of Line 9 here and in the space marked " Amount of this Payment " on Form NC-40. Round off cents to the nearest whole dollar.....	10.	

Tax Rates

Single

\$ 0	\$ 12,750	6%	
12,750	60,000		\$ 765 + 7% of the amount over \$12,750
60,000	120,000		\$ 4,072.50 + 7.75% of the amount over \$60,000
120,000	-----		\$ 8,722.50 + 8.25% of the amount over \$120,000

Head of Household

\$ 0	\$ 17,000	6%	
17,000	80,000		\$ 1,020 + 7% of the amount over \$17,000
80,000	160,000		\$ 5,430 + 7.75% of the amount over \$80,000
160,000	-----		\$ 11,630 + 8.25% of the amount over \$160,000

Married Filing Jointly / Qualifying Widow(er)

\$ 0	\$ 21,250	6%	
21,250	100,000		\$ 1,275 + 7% of the amount over \$21,250
100,000	200,000		\$ 6,787.50 + 7.75% of the amount over \$100,000
200,000	-----		\$ 14,537.50 + 8.25% of the amount over \$200,000

Married Filing Separately

\$ 0	\$ 10,625	6%	
10,625	50,000		\$ 637.50 + 7% of the amount over \$10,625
50,000	100,000		\$ 3,393.75 + 7.75% of the amount over \$50,000
100,000	-----		\$ 7,268.75 + 8.25% of the amount over \$100,000