

Underpayment of Estimated Tax by C Corporations

North Carolina Department of Revenue

1999

File with
CD-405

For Calendar Year 1999 or Other Tax Year Beginning _____ and Ending _____

Legal Name (First 30 characters)	Federal Employer ID Number
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Part I Computation of Underpayment

Note: If you meet any of the exceptions that avoid the underpayment penalty for ALL quarters, complete only lines 7 through 10.

1. Total Income tax liability from Page 3 of the return			
2. (a) Enter 90% of line 1	2(a)		
(b) Enter the tax shown on the corporation's preceding tax return	2(b)		
(c) Estimated tax. Enter the smaller of line 2(a) or line 2(b)	2(c)		

Enter in columns (a) through (d) the installment dates that correspond to the 15th day of the 4th, 6th, 9th, and 12th months of your tax year. If any date falls on a Saturday, Sunday, or legal holiday, substitute the next regular workday

Due Dates of Installments			
(a)	(b)	(c)	(d)
3. Enter 25% of line 2(c) in each column (a) through (d)			
4. (a) Amount paid or credited for each period			
(b) Overpayment of previous installment (enter any overpayment shown on line 6 that is more than the total of all prior underpayments as a credit against the next installment)			
5. Add lines 4(a) and 4(b)			
6. Underpayment (subtract line 5 from line 3) or overpayment (subtract line 3 from line 5)			

Part II Exceptions to the Underpayment Penalty (See instructions)

7. Total amount paid or credited from the beginning of the tax year through the installment dates that correspond to the 15th day of the 4th, 6th, 9th, and 12th months of your tax year				
	25% of tax	50% of tax	75% of tax	100% of tax
* 8. Exception 1, prior year's tax	25% of tax	50% of tax	75% of tax	100% of tax
* 9. Exception 2, tax on prior year's income based on the facts shown on the prior year's return but using current year's rates	22.5% of tax	45% of tax	67.5% of tax	90% of tax
10. Exception 3, tax on annualized income (attach computation)				

Part III Computation of Underpayment Penalty

Enter same installment dates used above				
11. Amount of underpayment from line 6				
12. Enter the date of payment or the 15th day of the 3rd month after the close of the tax year, whichever is earlier				
13. Number of days from due date of installment to the date shown on line 12				
14. $\frac{\text{Days on line 13(a)} \times \text{rate}^{**} \times \text{amount on line 11(a)}}{\text{Days in the tax year}}$				
15. $\frac{\text{Days on line 13(b)} \times \text{rate}^{**} \times \text{amount on line 11(b)}}{\text{Days in the tax year}}$				
16. $\frac{\text{Days on line 13(c)} \times \text{rate}^{**} \times \text{amount on line 11(c)}}{\text{Days in the tax year}}$				
17. $\frac{\text{Days on line 13(d)} \times \text{rate}^{**} \times \text{amount on line 11(d)}}{\text{Days in the tax year}}$				
18. Underpayment penalty (total of lines 14, 15, 16, 17)				

* See Note - Reverse
** Statutory Rate, See Instructions

INSTRUCTIONS

PURPOSE OF FORM

Form CD-429B is used by corporations to determine whether they paid enough estimated tax, whether they are subject to the penalty under G. S. 105-163.41 for underpayment of estimated tax and, if so, the amount of penalty. Estimated tax is a corporation's expected income tax liability minus its credits. A corporation must make estimated tax payments if it can reasonably expect its income tax to be \$500 or more.

HOW TO USE THIS FORM

Complete Part 1 of Form CD-429B to find if there is an underpayment for any of the four payment periods. If there is an underpayment on line 6 (column a, b, c, or d), go to Part II, Exceptions to the Penalty. If none of the exceptions apply, go to Part III, Computation of Underpayment Penalty. If you are using Form CD-429B either to figure the estimated tax penalty or to show that you qualify for any exception, attach Form CD-429B to your income tax return.

PART I. COMPUTATION OF UNDERPAYMENT

Enter the tax liability on line 1 from page 1, income tax computation, of the return for the particular taxable period covered. The percentage of the total tax liability which is payable as estimated tax is ninety percent (90%).

Line 4(b) - Enter any overpayment shown on line 6 that is more than the total of all underpayments.

Line 6 - If line 6 shows an underpayment, complete Part II to see if any of the exceptions apply.

PART II. EXCEPTIONS TO THE UNDERPAYMENT PENALTY

You will not have to pay a penalty if all of your tax payments (Part II, line 7) were made on time and are equal to or more than any one of the amounts figured as explained by the exceptions (lines 8, 9 and 10) for the same payment period (column a, b, c, or d).

The three exceptions to the penalty are:

* **Line 8 - Exception 1, prior year's tax.** - Generally, this exception applies if the corporation paid an amount equal to or more than the tax shown on its prior year return. However, the corporation must have filed an income tax return for the preceding tax year and that year must have consisted of 12 months.

* **Line 9 - Exception 2, tax on prior year's income using current year's rates.** - Generally, this exception applies if the amount the corporation paid is equal to or more than the tax figured by using the current year's rates but based on the facts shown on the prior year's return and the law that applies to the prior year.

Line 10 - Exception 3, tax on annualized income. - This exception applies if the estimated tax paid was equal to or more than 90% of the amount the corporation would owe if its estimated tax were a tax figured on annualized taxable income for the months preceding an installment date.

A corporation may annualize its income as follows:

- (a) For the first 3 months if the installment was required to be paid in the 4th month.
- (b) For the first 3 months or for the first 5 months if the installment was required to be paid in the 6th month.
- (c) For the first 6 months or for the first 8 months if the installment was required to be paid in the 9th month.
- (d) For the first 9 months or for the first 11 months if the installment was required to be paid in the 12th month.

To annualize, multiply taxable income for the period by 12 and divide the result by the number of months in the period (3, 5, 6, 8, 9, or 11, as the case may be).

Please attach your computation.

PART III. COMPUTATION OF UNDERPAYMENT PENALTY

If no exception applies, complete lines 11 through 18 to determine the amount of the penalty. The penalty is figured for the period of underpayment determined under G. S. 105-163.41(c) at a rate determined under G. S. 105-241.1(i). The rate is announced semiannually by the Secretary of Revenue. Interest rate is 7% from 1-1-93 to 12-31-94; 8% from 1-1-95 to 6-30-95; 9% from 7-1-95 to 12-31-98; 8% from 1-1-99 to 1-7-00.

A payment of estimated tax is considered first a payment of any previous underpayment in the order of required installments without regard to the installment the payment pertains to. For example, if the April 15 installment is underpaid by \$1000 and the June 15 required payment of \$2500 is timely made, \$1000 of the June payment will be considered for the April 15 installment with the underpayment penalty determined for the period from April 16 through the date paid in June.

If more than one payment has been made for a required installment, attach separate computations for each.

*NOTE: Exceptions 1 and 2, lines 8 and 9, do not apply to "large" corporations. A "large" corporation is as defined under Internal Revenue Code Section 6655.