

UNDERPAYMENT OF ESTIMATED TAX BY INDIVIDUALS

Name(s) shown on tax return

Social Security Number

Instructions

**Who Should Use This Form.** - Use this form to see if you must pay a penalty for underpaying your estimated tax. Complete Part I to determine the required annual payment. Complete either Part II or Part III to determine the penalty that you owe. If you are a farmer or a fisherman and pay the tax due by March 1, 1998, do not file this form since you do not have to pay a penalty.

**NOTE:** If you were not required to file a 1996 North Carolina income tax return, STOP HERE. You do not owe the penalty and you do not have to complete this form.

Short Method

You may use the short method only if:

- You made no estimated tax payments (or your only payments were withheld North Carolina income tax); OR
- You paid estimated tax in four equal amounts on the due dates.

**NOTE:** If you made estimated tax payments, the short method will give the precise penalty amount only if your payments were made exactly on the due dates. If any payment was made earlier than the due date, you may use the short method, but using it may cause you to pay

a larger penalty than the regular method. If the payment is only a few days early, the difference will generally be small. Do Not use the short method if you made any of your payments late.

Regular Method

Use the regular method to figure the penalty if you are not eligible to use the short method. To use the regular method, complete Part I below and Part III on the back.

Line-By-Line Instructions

**Line 6** • If this line is less than \$500, you do not owe a penalty and need not attach this form to your tax return.

**Line 7** • Figure your 1996 tax by subtracting the tax credits on line 15 from the tax on line 12 of your 1996 return.

If you were required to file a return for 1996 but have not filed, do not complete this line. Instead, enter the amount from line 4 on line 8.

**Line 16** • If your income varies during the year, for example you receive unexpected or seasonal income not subject to withholding in April or later, you may be able to lower the amount of your penalty by completing Form

D-422A, Annualized Income Installment Worksheet. If you annualized your income for any payment period, you must annualize it for all payment periods.

**Line 17** • Complete line 17 as follows:

- You are considered to have paid any withheld State income tax evenly over the period you worked during the year unless you can show otherwise. If you worked all year, divide the total amount withheld by 4, and enter the result in each column.

- Include your estimated tax paid for each payment period. Also include any 1996 overpayment of tax which you elected to apply to your 1997 estimated tax. If you file your return and pay the tax due by January 31, 1998, include on line 17, column (d), the amount of tax you pay with your return.

**Line 23** • If you do not show an underpayment on line 23 for columns (a), (b), (c), or (d), you need not attach this form to your tax return unless you annualized your income.

**Line 25** • Figure the number of days after April 15, 1997, through the date the estimated tax payment was made, or through April 15, 1998, whichever is earlier. If April 15, 1998 is earlier, enter 365, 304, 212, and 90 respectively in columns (a), (b), (c), and (d).

**Part I** Required Annual Payment • All filers must complete this part.

1. 1997 tax from Form D-400, line 12	1.	
2. Tax credits from 1997 Form D-400, line 15	2.	
3. Subtract line 2 from line 1	3.	
4. Multiply line 3 by 90% (.90) or 66 2/3% (.6667) for farmers and commercial fishermen	4.	
5. Withholding taxes from 1997, Form D-400, line 13a plus line 13b	5.	
6. Subtract line 5 from line 3. If less than \$500, stop here; do not complete or file this form. You do not owe the penalty	6.	
7. Enter your 1996 tax (amount from line 12 less tax credit(s) claimed on line 15)	7.	
8. Required annual payment. Enter the smaller of line 4 or line 7	8.	

Note: If line 5 is equal to or more than line 8, stop here. You do not owe the penalty.

**Part II** Short Method - Read the instructions for the Short Method before you complete this part. It cannot be used in all circumstances.

9. Enter the amount, if any, from line 5 above	9.	
10. Enter the total amount, if any, of estimated tax payments you made	10.	
11. Add lines 9 and 10	11.	
12. Total underpayment for year. Subtract line 11 from line 8. (If zero or less, stop here; you do not owe the penalty)	12.	
13. Multiply line 12 by .06 and enter the result	13.	
14. • If the amount on line 12 was paid on or after 4/15/98, enter -0-. • If paid before 4/15/98, make the following computation to find the amount to enter on line 14.		
Amount on line 12	X	Number of days paid before 4/15/98
		X .00025
15. PENALTY. Subtract line 14 from line 13. Enter the result here and on line 17b of your income tax return, Form D-400.	15.	

**Part III** Regular Method

Section A • Figure Your Underpayment	Payment Due Dates			
	(a) 4/15/97	(b) 6/15/97	(c) 9/15/97	(d) 1/15/98
16. Divide line 8 by 4 and enter the result in each column. <b>Exception:</b> If you use the annualized income installment method, complete Form D-422A (Annualized Income Installment Worksheet) and check this box <input type="checkbox"/>	16.			
17. Estimated tax paid and tax withheld. For column (a) only enter the amount from line 17 on line 21. (If line 17 is equal to or more than line 16 for each payment period, stop here; you do not owe the penalty.) <i>Complete lines 18 through 24 of one column before going to the next column.</i>	17.			
18. Enter amount, if any, from line 24 of previous column . . . . .	18.			
19. Add lines 17 and 18 . . . . .	19.			
20. Add amounts on lines 22 and 23 of the previous column and enter the result. . . . .	20.			
21. Subtract line 20 from line 19 and enter the result. If zero or less, enter zero. (For column (a) only, enter the amount from line 17) . . . . .	21.			
22. Remaining underpayment from previous period. If the amount on line 21 is -0-, subtract line 19 from line 20 and enter the result. Otherwise, enter -0- . . . . .	22.			
23. UNDERPAYMENT. If line 16 is larger than or equal to line 21, subtract line 21 from line 16 and enter the result. Enter 0 on line 18 of the next column and go to line 19. Otherwise, go to line 24 . . . . .	23.			
24. OVERPAYMENT. If line 21 is larger than line 16, subtract line 16 from line 21 and enter the result. Then go to line 18 of next column.	24.			

**Section B - Figure the Penalty** (Complete lines 25 through 26 of one column before going to the next column)

April 15, 1997 - April 15, 1998				
	4/15/97	6/15/97	9/15/97	1/15/98
25. Number of days AFTER the date shown above line 25 THROUGH the date the amount on line 23 was paid or 4/15/98, whichever is earlier. . . . .	25. Days: <input type="checkbox"/>	Days: <input type="checkbox"/>	Days: <input type="checkbox"/>	Days: <input type="checkbox"/>
26. Underpayment on line 23 <input type="checkbox"/> X <input type="checkbox"/> $\frac{\text{Number of days on line 25}}{365}$ X <input type="checkbox"/> .09 (see instructions)	26. \$	\$	\$	\$

27. Penalty (add amounts on line 26). Enter here and on line 17b of your individual income tax return, Form D-400. . . . . 27.

