

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, 2000, do not file this form since you do not have to pay a penalty.

NOTE: If you were not required to file a 1998 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. **Important:** A farmer or

fisherman cannot use the short method to determine the penalty since the penalty for a farmer or fisherman is determined in the last quarter only.

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 \$1,000, you do not owe a penalty and need not attach this form to your tax return.

Line 7 - Figure your 1998 tax by subtracting the tax credits on line 15 from the tax on line 12 of your 1998 return.

If you were required to file a return for 1998 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 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 1998 overpayment of tax which you elected to apply to your 1999 estimated tax. If you file your return and pay the tax due by January 31, 2000, 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 the due date of an installment through the date the estimated tax was paid or through April 15, 2000, whichever is earlier, regardless of which installment the payment was for. For example, if line 23, column (a) shows an underpayment, any later payment of estimated tax is considered the date line 23, column (a) was paid to the extent of the underpayment. If April 15, 2000, is earlier, enter 366, 305, 213, and 91 respectively in columns (a), (b), (c), and (d).

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

1. 1999 tax from Form D-400, line 13	1.	
2. Tax credits from 1999 Form D-400, line 14 plus line 21	2.	
3. Line 1 minus line 2	3.	
4. Multiply line 3 by 90% (.90) or 66 2/3% (.6667) for farmers and commercial fishermen	4.	
5. Withholding taxes from 1999, Form D-400, line 18a plus line 18b	5.	
6. Line 3 minus line 5. If less than \$1,000, stop here; do not complete or file this form. You do not owe the penalty	6.	
7. Enter your 1998 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. Line 8 minus line 11. (If zero or less, stop here; you do not owe the penalty)	12.	
13. Multiply line 12 by .0534 and enter the result	13.	
14. <ul style="list-style-type: none">If the amount on line 12 was paid on or after 4/15/00, enter -0-.If paid before 4/15/00, make the following computation to find the amount to enter on line 14.		
Amount on line 12 X Number of days paid before 4/15/00 X .00022	14.	
15. PENALTY. Line 13 minus line 14. Enter the result here and on Form D-400, line 23b.	15.	

Part III Regular Method

Section A - Figure Your Underpayment		Payment Due Dates			
		(a) 4/15/99	(b) 6/15/99	(c) 9/15/99	(d) 1/15/00
16. Divide line 8 by 4 and enter the result in each column. Exception: 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.) Complete lines 18 through 24 of one column before going to the next column.	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, 1999 - April 15, 2000		4/15/99	6/15/99	9/15/99	1/15/00
		Days:	Days:	Days:	Days:
25. Number of days after the date shown above line 25 through the date the amount on line 23 was paid or 4/15/00, whichever is earlier.	25.				
26. Underpayment on line 23 (see instructions) \times $\frac{\text{Number of days on line 25}}{366}$ \times .08	26.	\$	\$	\$	\$

27. Penalty (add amounts on line 26). Enter here and on Form D-400, line 23b 27.

