

**D. “No Penalty” Tests**

No penalty for underpayment will be assessed if the estimated tax paid on or before the estimated tax due date is at least as large as the payment that would be due if the estimated tax fell into one of the following categories: (Note: Large corporations as defined in IRS Code Section 6655 are excluded from the exceptions in 1. or 2.)

1. It amounts to as much as the tax paid on the return of the preceding taxable year of 12 months.
2. It amounts to as much as the tax would be by applying the current year’s income tax rate to the corporation’s taxable income in the previous year. (Note: This provision has no effect for 2003 because the tax rates are the same as in 2002.)
3. It amounts to 90% of the tax shown on the current annual income tax return.
4. It amounts to 90% of the tax that would be due on the basis of current income up to a specified cut-off date, annualized for the year.