

## **Subject 105**

### **Estimated Tax**

The State of Arkansas Tax System is based on a pay-as-you go plan. This means the tax is paid as income is earned or received. Tax is withheld from your wages, salary, and bonuses before you receive them. Tax may also be withheld from other types of income such as pensions. However, tax is generally not withheld from income such as alimony, interest, dividends, rental income, self-employment income, and capital gains.

Estimated tax is the method of paying tax on income not subject to withholding, and on other income from which not enough tax is withheld. You do not have to make estimated tax payments if you expect your return to show either a refund or a balance due to the State of Arkansas of less than \$1,000.

You should make estimated tax payments during the year if you expect your tax liability to be \$1,000 or more and the total amount of tax withheld and your credits are less than the smaller of:

1. 90% of the tax to be shown on your current tax return, or
2. 100% of the taxes shown on your last year's tax return, if your last year's tax return covered all 12 months of the year. Use Form AR1000ES to help you figure your estimated tax liability.

Your first estimated tax payment for the next year's tax return is due April 15<sup>th</sup>. You may pay the entire year's estimated tax at that time, or you may pay your estimated tax in four installments. The four installment payments are due April 15<sup>th</sup>, June 15<sup>th</sup>, September 15<sup>th</sup>, and January 15<sup>th</sup> of the next year. You may have to pay a penalty if you do not pay enough tax either through withholding and/or estimated tax payments or if you fail to make required estimated tax payments by the due dates.