

Estimated Income Tax  
1984 Legislation

Chapter 285 of the Laws of 1984, signed into law on June 26, 1984, has amended the New York State Personal Income Tax Law and the New York City Income and Earnings Tax Laws to conform the estimated tax requirements to similar amendments made to the Internal Revenue Code by the Tax Equity and Fiscal Responsibility Act of 1982. The New York amendments are effective for tax years beginning after December 31, 1984.

Section 655 has been amended to remove the requirement to file declaration of individual estimated tax. Also, Section 656 has been amended to require an individual to pay his estimated tax even though he does not have to file a declaration. Section 656(g) provides that the amount of the estimated tax payment must be the same as the amount of estimated tax required to avoid the penalty for underpayment, provided for in Section 685(c) of the Tax Law.

A one month extension of time to file and pay estimated income tax will only be granted because the taxpayer is seriously ill or for other compelling reasons.

Section 685(c) imposes an underpayment penalty for failure to pay all or any part of an installment of estimated tax. New Section 685(c)(2) provides that no penalty for underpayment of estimated tax will be imposed for any tax year if:

- (1) the taxpayer had no tax liability for the preceding tax year;
- (2) the preceding tax year was a tax year of 12 months; and
- (3) the taxpayer was a resident for the entire preceding tax year or was a nonresident who had New York adjusted gross income.

In addition, the penalty under Section 685(c) will not be imposed if the taxpayer has paid an amount sufficient to meet one of the following exceptions provided for in Section 685(d):

Exception 1 - Last year's tax - The amount that the individual would have to pay if his estimated tax was the tax shown on his return for the preceding year (the return must show a tax liability and cover a taxable year of 12 months). If a return was not filed for the prior year, this exception cannot be used.

Exception 2 - Last year's income - The amount that the individual would have to pay if his estimated tax was an amount determined by computing a tax on the basis of the facts shown on his return for the preceding year but using the current year's rates and applicable personal exemptions.

Exception 3 - Tax on annualized income - The amount that the individual would have had to pay on or before the installment date if his estimated tax were 80% (2/3 in the case of farmers and fishermen) of the tax computed by annualizing the income received over a 3, 5 and 8 month period.

Exception 4 - Tax on actual income over periods of 3, 5 and 8 months - The amount that the individual would have had to pay on or before the installment date if his estimated tax were 90% of the tax at the current year's rates on the basis of the individual's actual taxable income received over a 3, 5 and 8 month period.

Chapter 345 of the Laws of 1984 amended the Tax Law by adding new Articles 30-A and 30-B, which authorized the imposition of a City of Yonkers income tax surcharge on residents and an earnings tax on nonresidents. The estimated tax requirements will apply to City of Yonkers beginning January 1, 1985. For further information, see TSB-M-84-(14) Income Tax.