



## Underpayment of Individual Income Tax Penalty Computation 2004 Taxable Year Nonresident and Part-Year Resident Filers

### GENERAL INFORMATION

- A. Louisiana imposes an underpayment penalty on an individual's failure to sufficiently pay income tax throughout the year by withholding or declaration payments. If adequate tax was not paid in a period, you may owe a penalty of twelve percent per annum (12%) on the underpayment.
- B. **FILING AN ESTIMATE AND PAYING THE TAX FOR CALENDAR YEAR TAXPAYERS** – If you file a return on a calendar year basis and are required to file Form IT-540ES, Estimated Tax Declaration for Individuals, you are generally required to file estimated tax by April 15, and to pay the tax in four installments. If you are not required to file estimated tax until later in the year because of a change in income, you may be required to pay in fewer installments. Below is a table that shows the due date(s) for estimated tax and the maximum number of installments required.

Period in Which Requirements are First Met	Due Date of Payment	Maximum Number of Installments Required
Between Jan 1 and April 1	April 15, 2004	4
After April 1 and before June 2	June 15, 2004	3
After June 1 and before Sept 2	Sept 15, 2004	2
After September 1	Jan 18, 2005	1

- C. **FARMERS AND FISHERMEN** – Individuals that are farmers (including oyster farmers) may make one declaration of estimated tax after September 15 of the taxable year and on or before January 15 (or next business day) of the succeeding taxable year. The one declaration payment of at least sixty six and two-thirds percent (66.66%) of the estimated tax is construed to satisfy any underpayment. To be defined as a farmer, the taxpayer must **receive at least two-thirds** of total estimated gross income from all sources for the taxable year from farming activities. To be defined as a fisherman, the taxpayer must be registered with the Louisiana Department of Wildlife and Fisheries as a commercial fisherman.
- D. In order to properly complete Form R-210NR for 2004, you will need the following information:
1. A copy of your 2003 Louisiana individual income tax return.
  2. Your 2004 Louisiana individual income tax return.
  3. The dates and amounts of your declaration payments made for the 2004 taxable year.
  4. The date and amount of your extension payment for 2004, if any.
- E. **Complete Exception 1 on page 3 to determine if you are subject to the underpayment penalty.** Exception 1 determines if your tax liability exceeds the threshold that subjects you to a penalty. If you do not meet Exception 1, complete Form R-210NR and attach it to Form IT-540B. Exceptions 2 through 5 determine the minimum amount you should have paid for a period to avoid an underpayment subject to penalty. You will not be liable for a penalty if the payments you made for the 2004 tax year equal or exceed any amount determined for the same period under the exceptions. Once you have determined an exception for a period, you do not have an underpayment for that period which is subject to the penalty. You may apply a different exception to each underpayment. If an underpayment penalty is due, enter the total penalty on Line 25 on your 2004 Form IT-540B.
- F. When applying credits and withholding to a period, you may equally distribute (based upon the number of months in the period) these amounts to each period. You may use the actual date those amounts were withheld or the date on which the credit was earned. Any extension payments or composite partnership return payments made on or before January 18, 2005, must be applied to the fourth installment period. Any credit carry forward from the 2003 tax year to the 2004 tax year must be included in the first installment period.
- G. In **2003**, it is possible to have filed an IT-540 Resident Return, not an IT-540B Nonresident and Part-Year Resident return. Therefore, references to Line numbers for **2003** are listed first for the IT-540B, then for the IT-540.

**Section 1 – Required annual payment**

The required annual payment is the lesser of: ninety percent (90%) of your 2004 Louisiana income tax OR one hundred percent (100%) of your 2003 Louisiana income tax. The period of underpayment shall run from the date the installment was required to be paid to whichever of the following dates is earlier: the 15<sup>th</sup> day of the fourth month following the close of the taxable year OR the date on which any portion of the underpayment is paid but limited to the amount of such payment.

**Line 1** – Ninety percent (90%) of current year. Use the steps below to compute this amount from your **2004** Form IT-540B.

- |   |     |
|---|-----|
| 1. Enter your Louisiana Income Tax (Line 12 of <b>2004</b> Form IT-540B).   | .00 |
| 2. Enter the amount of Nonrefundable Credits (Line 13D of <b>2004</b> Form IT-540B).  | .00 |
| 3. From <b>2004</b> IT-540B, enter your total refundable credits. This amount is the sum of Lines 15A and 15B. Print the result here. | .00 |
| 4. Subtract Lines 2 and 3 from Line 1 and print the result here.  | .00 |
| 5. Multiply Line 4 by 90% (.90) and print the result here and on Line 1 of Form R-210NR.  | .00 |

**Line 2** – One hundred percent (100%) of previous year. Use the steps below to compute this amount from your **2003** Form IT-540B (IT-540).

- |  |     |
|--|-----|
| 1. Enter your adjusted Louisiana Income Tax (Line 14A of <b>2003</b> Form IT-540B, or the amount from Line 12A of your IT-540).  | .00 |
| 2. From <b>2003</b> IT-540B, enter your total refundable credits. This amount is the sum of Lines 15C, 15D and 15E2. (If you filed resident form IT-540 in <b>2003</b> , add Lines 2, 3, and 4 from Schedule A – Part 2 Refundable Credits and Payments.) Print the result here. | .00 |
| 3. Subtract Line 2 from Line 1 and enter result here and on Line 2 of Form R-210NR.  | .00 |

**Line 3** – Enter the smaller of Line 1 or Line 2 from Form R-210NR. If no return was filed for 2003, use the amount from Line 1 of Form R-210NR.

**Line 4** – Number of installments. Generally, a person is required to make four installments beginning on April 15. You may be required to pay in fewer installments if you had a change in income. Enter the number of installments required to be paid.

**Section 2 – Underpayment computation**

**Line 5** – Divide amount on Line 3 by the number of installments required for the year (Line 4 of Section 1). Round to nearest dollar and enter the results in the appropriate columns.

**Line 6** – For each period, enter the amounts paid on estimated tax, withholding tax, and credit carry forward. Include any extension or composite partnership payments made on or before January 18, 2005, in the last period. (See General Information, Item “F”.)

**Line 7** – An overpayment in one period may be carried forward to the next period. If an amount on Line 6 is greater than an amount in the same column of Line 5, then an overpayment exists for that period. Determine the carry forward amount by subtracting Line 6 from Line 5. If the amount is negative, then you have a carry forward for that period. Overpayments from previous periods may be carried forward and applied to later periods. Overpayments may not be carried back to a previous period.

Example:

	04/15/04	06/15/04	09/15/04	01/18/05
From Section 1, Divide Line 3 by the amount on Line 4.	400.00	400.00	400.00	400.00
Enter amounts paid.	500.00	600.00	350.00	250.00
Under/overpayment of installment	-100.00	-200.00	50.00	150.00

In the above example, an overpayment of \$100 exists for the first period and \$200 exists for the second period. These overpayments may be carried forward to the third and fourth periods, thus resolving the two underpayments for these periods.

**Line 8** – Adjust your payments for any period by any carry forward amount. See Line 7 above. The sum of all amounts on Line 8 must equal the sum of all amounts on Line 6.

**Line 9** – Determine the underpayment or overpayment for each period. If the amount on Line 5 is greater than the amount on Line 8, then an underpayment exists for that installment period. Subtract Line 8 from Line 5 and enter the underpayment amount in the appropriate column. If Line 8 is greater than Line 5, then an overpayment exists for that installment period. Subtract Line 5 from Line 8 and enter the overpayment amount in the appropriate column.

**Section 3 – Exceptions**

**Line 10 – Exception 1**

You are **not** legally responsible for an underpayment penalty if your estimated tax liability does not **exceed** one thousand dollars (\$1,000). For persons filing a joint return no underpayment penalty is imposed if the amount of your estimated tax liability is two thousand dollars (\$2,000) or less. Use the calculation below to determine if your 2004 tax liability exceeds one thousand dollars (\$1,000) **per person**.

<b>Exception 1</b>	
1. Enter the amount from Line 21 of your <b>2004</b> Form IT-540B.	.00
2. Enter the amount from Line 14B of your <b>2004</b> Form IT-540B.	.00
3. Subtract Line 2 from Line 1 and enter the result here.	.00
4. Enter any extension payment(s) included on Line 15G of your <b>2004</b> Form IT-540B made after January 18, 2005.	.00
5. Add Line 4 to Line 3 and enter result here.	.00
6. If your filing status is Single, Married Filing Separately, or Head of Household <b>AND</b> the amount on Line 5 above is less than or equal to \$1,000, <b>STOP – NO PENALTY IS DUE.</b>	
7. If your filing status is Married Filing Joint or Qualifying Widow(er) <b>AND</b> the amount on Line 5 above is less than or equal to \$2,000, <b>STOP – NO PENALTY IS DUE.</b>	
<b>IF YOU MEET THIS EXCEPTION, DO NOT PROCEED WITH ANY OTHER CALCULATIONS. YOU DO NOT OWE AN UNDERPAYMENT PENALTY.</b>	

**Line 11 – Exception 2 – Prior Year’s Tax Liability – This exception does NOT apply to part – year residents.**

This exception applies if your 2004 payments (withholding, declarations, and any extension payments made before January 18, 2005) equal or exceed your 2003 income tax liability for each installment period. Your Louisiana income tax return for 2003 must have covered a full twelve-month taxable year and must have reflected an income tax liability.

<b>Exception 2</b>				
<b>Line A</b> – In each column, enter the total amount of payments for the indicated period. Payments include <b>declarations made for the period</b> , withholding, and any extension or composite partnership payments made on or before January 18, 2005. (See General Information Item “F.”)				
<b>Line B</b> – Use the amount from Line 2 of Form R-210NR. This is 100% of your 2003 tax liability. Multiply the 2003 tax liability by the percentage in each column and print the result.				
	April 15, 2004	June 15, 2004	Sept. 15, 2004	Jan. 18, 2005
A. Total amount paid and withheld from January 1, 2004, <b>through the installment date indicated.</b>	.00	.00	.00	.00
Amount from Line 2, Form 210NR ( _____ )	25%	50%	75%	100%
B. 2003 tax. Multiply the 2003 tax by the percentage in each column.	.00	.00	.00	.00
If Line A is greater than or equal to Line B, then the period has met the exception. On Line 11 of Form R-210NR, print “Exception” for each period exempted. If you have an exception for all periods, you do not have an underpayment penalty.				

**Line 12 – Exception 3 – Prior Year’s Income – This exception does NOT apply to part-year residents.**

This exception applies if your 2004 payments equal or exceed the tax computed on prior year’s income using 2004 rates and filing status (see General Instructions, Item “F”).

**Exception 3**

**Line A** – In each column, enter the total amount of payments for the indicated period. Payments include **declarations made for the period**, withholding, and any extension payments made on or before January 18, 2005. Any credit carry forward from the 2003 tax year to the 2004 tax year should be included in the first period. Line 15C of the 2004 Form IT-540B is the withholding amount and this amount may be attributed equally to each period. (See General Information Item “F”.)

**Line B** – Use the following worksheet to compute the amount for Line B.

1. 2003 Louisiana Net Income. Line 11 of your **2003** Form IT-540B.  
(Line 9 of 2003 Form IT-540.) \_\_\_\_\_
2. Compute tax on above amount using **2004** filing status and **2004** Tax Computation Worksheet below. \_\_\_\_\_
3. Enter **2003** Non-refundable Credits. Line 13 of **2003** Form IT-540B.  
(Line 11 of **2003** Form IT-540.) \_\_\_\_\_
4. Enter **2003** Refundable Credits. Add Lines 15C, 15D, and 15E2 of **2003** Form IT-540B. (Add Lines 2, 3, and 4 of 2003 Schedule A – Part 2 of Form IT-540.) \_\_\_\_\_
5. Subtract Lines 3 and 4 from Line 2. \_\_\_\_\_

	April 15, 2004	June 15, 2004	Sept. 15, 2004	Jan. 18, 2005
A. Total amount paid and withheld from January 1, 2004, <b>through the installment date indicated.</b>	.00	.00	.00	.00
Amount from Line 2, Form 210NR ( _____ )	25%	50%	75%	100%
B. <b>2003</b> tax. Multiply the 2003 recomputed tax (Line 5 above) by the percentage in each column.	.00	.00	.00	.00

If Line A is greater than or equal to Line B, then the period has met the exception. On Line 12 of Form R-210NR, print “Exception” for each period exempted. If you have an exception for all periods, you do not have an underpayment penalty.

**TAX COMPUTATION WORKSHEET**

<b>A Taxable Income:</b> Print the amount from Line 1 above.			<b>A</b>		<b>00</b>
<b>B First Bracket:</b> If Line A is greater than \$12,500 (\$25,000 if filing status is 2 or 5), print \$12,500 (\$25,000 if filing status is 2 or 5). If Line A is less than \$12,500 (\$25,000 if filing status is 2 or 5), print amount from Line A.	<b>B</b>			<b>00</b>	
<b>C 1. Combined Personal Exemption – Standard Deduction:</b> If your filing status is 2, 4, or 5, print \$9,000; if 1 or 3, print \$4,500.	<b>C1</b>			<b>00</b>	
<b>2. Credit for Dependents:</b> Print \$1,000 for taxpayers and/or spouses who are 65 or over, or blind, and for each dependent claimed on Line 6C of Form IT-540B.	<b>C2</b>			<b>00</b>	
<b>3. Total:</b> Add Lines C1 and C2 and print the result.	<b>C3</b>			<b>00</b>	
<b>D Ratio:</b> Enter the ratio from Form IT-540B, Line 9.	<b>D</b>			<b>%</b>	
<b>E Allowable Deduction:</b> Multiply Line C3 by the ratio on Line D.	<b>E</b>			<b>00</b>	
<b>F Taxable First Bracket:</b> Subtract Line E from Line B. Multiply balance by 2% (.02) and print the result in the TAX column.	<b>F</b>			<b>00</b>	<b>2% Rate</b>
<b>G Second Bracket:</b> Subtract Line B from Line A; and, if the balance is greater than zero, print the balance or \$12,500 (\$25,000 if filing status is 2 or 5) whichever is less. Note: Reduce this amount by the amount that Line E exceeds Line B. Multiply balance by 4% (.04) and print the result in the TAX column.	<b>G</b>			<b>00</b>	<b>4% Rate</b>
<b>H Third Bracket:</b> Subtract \$25,000 (\$50,000 if filing status is 2 or 5) from Line A and print balance. If less than zero, enter zero. Multiply the balance by 6% (.06) and print the result in the TAX column.	<b>H</b>			<b>00</b>	<b>6% Rate</b>
<b>I Total Tax:</b> Add the amounts in the TAX column on Lines F, G, and H. Print here and on Line 2 above.	<b>I</b>				<b>00</b>

**Line 13 – Exception 4 – Annualization Income**

This exception provides for annualizing the income for the 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> quarters. This exception applies if your 2004 payments equal or exceed ninety percent (90%) of the tax computed on annualized income for **the period ending based on calendar quarters. Important: Except for the first installment period, the remaining installment periods do not coincide with calendar quarters.** You must be careful when calculating your payments for each quarter. “Annualized income” means the actual income (Federal Adjusted Gross Income – “AGI”) received during the period. Complete Lines A through L. Compare the amount in each column of Line L to the corresponding column on Line M. If Line M is equal to or greater than the amount on Line L, you have met the exception for that period. If using this exception, please attach a schedule indicating your computation for the federal income tax deduction taken on Line D. On Line 13 of Form R-210NR, print “Exception” for each period exempted. If you have an exception for all periods, you do not have an underpayment penalty. **Note:** If you are a farmer or fisherman, substitute on Line K, 16.67% for the period ending 3/31/04; 33.33% for the period ending 6/30/04; and, 50% for the period ending 9/30/04.

	01/01/04 through 03/31/04	01/01/04 through 06/30/04	01/01/04 through 09/30/04
A. Enter your AGI for <b>each period.</b>	.00	.00	.00
B. Annualization factors	4	2	1.33
C. Multiply Line A by Line B.	.00	.00	.00
D. Enter federal income tax associated with the income for <b>each period.</b>	.00	.00	.00
E. Multiply Line D by corresponding annualization factor on Line B.	.00	.00	.00
F. Subtract Line E from Line C.	.00	.00	.00
G. For the amounts on Line F, determine the correct tax based upon filing status and number of exemptions claimed on Line 6D of your 2004 Form IT-540B.	.00	.00	.00
H. Enter refundable and nonrefundable credits <b>associated with each period.</b> Refer to Schedules F-NR and G-NR of Form IT-540B along with any available 2004 Child Care Credit and 2003 Child Care Credit carry forward.	.00	.00	.00
I. Multiply Line H by corresponding annualization factor on Line B.	.00	.00	.00
J. Subtract Line I from Line G.	.00	.00	.00
K. Applicable percentage - (Farmers and fishermen see instructions above.)	22.5%	45%	67.5%
L. Multiply Line J by Line K.	.00	.00	.00
M. Enter total of credit carry forward, declarations and withholding <b>associated with each period.</b>	.00	.00	.00

**Line 14 – Exception 5 – Installment Period Income**

This exception is computed by paying an amount equal to ninety percent (90%) of the tax computed, at the rates applicable to the taxable year, on the basis of the actual taxable income for the months in the taxable year ending before the month in which the installment is required to be paid. Complete Lines A through G. For each column, compare the amount on Line G to the amount on Line H. If Line H is equal to or greater than the amount on Line G, you have met the exception for that period. If using this exception, please attach a schedule indicating your computation for the federal income tax deduction taken on Line B. On Line 14 of Form R-210NR, print "Exception" for each period exempted. If you have an exception for all periods, you do not have an underpayment penalty.

	01/01/04 through 03/31/04	01/01/04 through 05/31/04	01/01/04 through 08/31/04	01/01/04 through 12/31/04
A. Enter your AGI for <b>each period</b> .	.00	.00	.00	.00
B. Enter federal income tax associated with the income from Line A.	.00	.00	.00	.00
C. Subtract Line B from Line A and enter the result for each period.	.00	.00	.00	.00
D. Enter Louisiana individual income tax due using 2004 Louisiana individual income tax computation worksheet. <b>Determine tax based upon the total exemptions claimed on Line 6D of the 2004 return.</b>	.00	.00	.00	.00
E. Enter the amount of nonrefundable and refundable credits <b>associated with each period</b> . Refer to Schedules F-NR and G-NR of Form IT-540B along with any available 2004 Child Care Credit and 2003 Child Care Credit carry forward.	.00	.00	.00	.00
F. Subtract Line E from Line D and enter the result for each period. This is your tax for each period.	.00	.00	.00	.00
G. Multiply Line F by 90% (.90).	.00	.00	.00	.00
H. Enter the amount of payments and withholding for each period.	.00	.00	.00	.00

## Section 4 – Penalty Computation

**Line 15** – Enter any underpayment in the appropriate column for each period that is not subject to one of the exemptions cited above.

**Line 16** – Enter the payment date that satisfies the underpayment. Note that the payment date may be the date you filed an extension or filed the return.

**Line 17** – Compute the number of days from the due date of the installment to the date that the underpayment is satisfied OR the 15<sup>th</sup> day of the fourth month following the close of the taxable year, whichever is earlier. The installment due date for each installment is shown at the top of each column.

**Line 18** – The penalty rate is 12 percent per annum (.12). The daily penalty rate is .0329% (0.000329). Multiply the number of days late by the daily penalty rate to determine the penalty factor. Example: Assume the installment is 30 days late. The penalty factor is  $30 \times 0.000329 = 0.00987$ . Multiply the computed penalty factor times the amount of the underpayment and enter it in the appropriate column. To compute the underpayment penalty for farmers and fishermen, determine the number of days from January 18, 2005 to the date that the underpayment is satisfied OR the 15<sup>th</sup> day of the fourth month following the close of the taxable year, whichever is earlier. Use this number to compute the penalty factor.

**Line 19** – Add the amounts on Line 18 and enter in both the appropriate box and on Line 25 of the 2004 Form IT-540B.