

Paperwork Reduction Act Notice

We ask for the information on the payment vouchers to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete the worksheets and prepare and file the payment vouchers will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 1 hr., 19 min.; **Learning about the law**, 19 min.; **Preparing the worksheets and payment vouchers**, 49 min.; **Copying, assembling, and sending the payment voucher to the IRS**, 10 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this package simpler, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Attention: Tax Forms Committee, PC:FP, Washington, DC 20224; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0087), Washington, DC 20503. **DO NOT** send the payment vouchers to either of these offices. Instead, see **Where To File Your Payment Voucher** on page 5.

Purpose of This Package

Use this package to figure and pay your estimated tax. Estimated tax is the method used to pay tax on income that is not subject to withholding; for example, earnings from self-employment, interest, dividends, rents, alimony, unemployment compensation, etc.

This package is primarily for first-time filers who are or may be subject to paying estimated tax. This package can also be used if you did not receive or have lost your preprinted 1040-ES package. The estimated tax worksheet on page 3 will help you figure the correct amount to pay. The payment vouchers in this package are for crediting your estimated tax payments to your account correctly. Use the **Record of Estimated Tax Payments** on page 5 to keep track of the payments you have made and the number and amount of your remaining payments.

After we receive your first payment voucher from this package, we will mail you a preprinted 1040-ES package with your name, address, and social security number on each payment voucher. Use the preprinted vouchers to make your **remaining** estimated tax payments for the year. This will speed processing, reduce processing costs, and reduce the chance of errors.

Do not use the vouchers in this package to notify the IRS of a **change of address**. If you have a new address, get **Form 8822**, Change of Address, by calling 1-800-TAX-FORM (1-800-829-3676). Send the completed form to the Internal Revenue Service Center where you filed your last tax return. The Service Center will update your record and send you new preprinted payment vouchers and envelopes.

Note: *Continue to use your old preprinted payment vouchers and envelopes to make payments of estimated tax until you receive the new vouchers and envelopes.*

Who Must Make Estimated Tax Payments

In most cases, you must make estimated tax payments if you expect to owe, after subtracting your withholding and credits, at least \$500 in tax for 1995, and you expect your withholding and credits to be less than the **smaller** of:

1. 90% of the tax shown on your 1995 tax return, or

2. 100% of the tax shown on your 1994 tax return (110% of that amount if you are not a farmer or a fisherman and the adjusted gross income shown on that return is more than \$150,000 or, if married filing separately for 1995, more than \$75,000).

However, if you did not file a 1994 tax return or that return did not cover all 12 months, item 2 above does not apply.

Exception. You do not have to pay estimated tax if you were a U.S. citizen or resident alien for all of 1994 and you had no tax liability for the full 12-month 1994 tax year.

The estimated tax rules apply to:

- U.S. citizens and residents,
- Residents of Puerto Rico, the Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa, and
- Nonresident aliens (use Form 1040-ES (NR)).

If you also receive salaries and wages, you may be able to avoid having to make estimated tax payments by asking your employer to take more tax out of your earnings. To do this, file a new **Form W-4**, Employee's Withholding Allowance Certificate, with your employer.

Caution: You may not make joint estimated tax payments if you or your spouse is a nonresident alien, you are separated under a decree of divorce or separate maintenance, or you and your spouse have different tax years.

Additional Information You May Need

Most of the information you will need can be found in:

Pub. 505, Tax Withholding and Estimated Tax.

Other available information:

Pub. 553, Highlights of 1994 Tax Changes, and Instructions for the 1994 Form 1040 or 1040A.

For forms and publications, call 1-800-TAX-FORM (1-800-829-3676). For assistance, call 1-800-829-1040.

Tax Law Changes Effective for 1995

Use your 1994 tax return as a guide in figuring your 1995 estimated tax, but be sure to consider the changes noted in this section. For more information on changes that may affect your 1995 estimated tax, see Pub. 553.

Payment of Employment Taxes for Household Employees.

If you employ household employees, new rules apply to the reporting and payment of employment taxes. The rules eliminate the quarterly filing and employment tax payment requirements and raise the \$50 per quarter threshold to \$1,000 per year.

For wages paid after 1994, you will be required to report social security, Medicare, Federal unemployment, and withheld Federal income taxes for household employees on your 1995 Federal income tax return (similar rules will apply for household employers in the U.S. possessions).

Household employers are not required to include these taxes when figuring their estimated tax payments until 1998. But they are encouraged to do so (or to increase their income tax withholding) to avoid a large balance due when they file their returns. For details on other changes to the employment tax rules for household employers, get **Pub. 926**, Employment Taxes for Household Employers.

Gifts of Appreciated Stock to Private Nonoperating Foundations. At the time this package went to print, the