

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, etc.). In addition, if you do not elect voluntary withholding, you should make estimated tax payments on unemployment compensation and the taxable part of your social security benefits. See the 1998 instructions for your tax return for more details on income that is taxable.

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 4 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 6 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 1040-ES package with your name, address, and social security number preprinted 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, complete **Form 8822**, Change of Address, and send it to the Internal Revenue Service Center at the address shown in the Form 8822 instructions. The service center will update your record and send you new preprinted payment vouchers.

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

Who Must Make Estimated Tax Payments

In most cases, you must make estimated tax payments if you expect to owe at least \$1,000 in tax for 1999 (after subtracting your withholding and credits) and you expect your withholding and credits to be less than the **smaller** of:

1. 90% of the tax shown on your 1999 tax return, **or**
2. The tax shown on your 1998 tax return (105% of that amount if you are not a farmer or a fisherman and the adjusted gross income shown on the return is more than \$150,000 or, if married filing separately for 1999, more than \$75,000).

However, if you did not file a 1998 tax return or that return did not cover all 12 months, item 2 above does not apply.

For this purpose, include household employment taxes (before subtracting advance EIC payments made to your employee(s)) when figuring the tax shown on your tax return if **either** of the following is true.

- You will have Federal income tax withheld from wages, pensions, annuities, gambling winnings, or other income, **or**
- You would be required to make estimated tax payments to avoid a penalty even if you did not include household employment taxes when figuring your estimated tax.

Exception. You do not have to pay estimated tax if you were a U.S. citizen or resident alien for all of 1998 and you had no tax liability for the full 12-month 1998 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 on your other income 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.

You can also choose to have Federal income tax withheld on certain government payments. For details, see **Form W-4V**, Voluntary Withholding Request.

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 1998 Tax Changes.
- Instructions for the 1998 Form 1040 or 1040A.
- **What's Hot** at www.irs.ustreas.gov.

For details on how to get forms and publications, see page 6 of the instructions for Form 1040 or 1040A.

If you have tax questions, call 1-800-829-1040 for assistance.

Tax Law Changes Effective for 1999

Use your 1998 tax return as a guide in figuring your 1999 estimated tax, but be sure to consider the changes noted in this section. For more information on changes that may affect your 1999 estimated tax, see Pub. 553.

Modification of estimated tax safe harbor for some taxpayers. For 1999, the estimated tax safe harbor that is based on the tax shown on your 1998 tax return is 105% 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 1999, more than \$75,000.

Child tax credits. For 1999, the total of the child tax credit and the additional child tax credit can be as much as \$500 for each qualifying child.

Student loan interest deduction. The amount you may be allowed to deduct on your tax return for interest that is paid during 1999 on a qualified student loan has been increased to \$1,500.