

2011 Additional Charge for Underpayment of Estimated Tax

For Trusts (Form M2), Partnerships (Form M3) and S Corporations (Form M8)

Name of trust, partnership or S corporation Federal tax ID number Minnesota tax ID number

Required Annual Payment

1 Minnesota tax for **2011** (from line 14 of Form M2; line 4 of Form M3; or line 5 of Form M8) **1** _____

2 Minnesota withholding and credits for **2011** (see instructions) **2** _____

3 Subtract line 2 from line 1 (if result is less than \$500, stop here; you do not owe an additional charge) .. **3** _____

4 Multiply line 1 by 90% (.90) **4** _____

5 Minnesota income tax for **2010** (from line 12 of Form M2; line 4 of Form M3; or line 5 of Form M8).
If you did not file a 2010 return or filed a 2010 return for less than a full 12-month period,
skip line 5 and enter the amount from line 4 on line 6 **5** _____

6 Required annual payment. Enter amount from line 4 or line 5, whichever is less **6** _____

- If line 6 is less than or equal to line 2, stop here; you do not owe an additional charge.
- If line 6 is more than line 2, continue with line 7 or line 13, depending on which method you use.

Determine Additional Charge Using the Short Method

Optional Short Method (see instructions to determine which method to use)

7 Estimated tax payments you made for 2011 **7** _____

8 Add line 2 and line 7 **8** _____

9 Total underpayment for the year. Subtract line 8 from line 6
(if result is zero or less, stop here; you do not owe an additional charge) **9** _____

10 Multiply line 9 by 2% (.02) **10** _____

11 • If the amount on line 9 will be paid on or after the regular due date for filing your return, enter 0.
• If the amount was paid before the regular due date, use the following computation and
enter the result on line 11:

amount on line 9	X	number of days paid before the regular due date	X	.00008 11
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12 Additional Charge. Subtract line 11 from line 10.
Enter result here and on line 19 of Form M2, line 15 of Form M3 or line 18 of Form M8 **12** _____

Determine Additional Charge Using the Regular Method

	A	B	C	D
Regular Method	April 15, 2011	June 15, 2011	Sept. 15, 2011	Jan. 15, 2012
13 Enter 25% (.25) of line 6 in each column 13	_____	_____	_____	_____
14 Credits. See instructions 14	_____	_____	_____	_____
15 Overpayment. If line 14 is more than line 13, subtract line 13 from line 14. Enter the result here and add it to line 14 in the next column. Overpayments in any quarter following an underpayment must first be applied to making up previous underpayments 15	_____	_____	_____	_____
16 Underpayment. If line 14 is less than line 13, subtract line 14 from line 13. Enter the result here and go to line 17 below 16	_____	_____	_____	_____
17 Enter the date of payment or the regular due date for filing your return, whichever is earlier (see instructions) 17	_____	_____	_____	_____
18 Number of days between the payment due date and the date on line 17 18	_____	_____	_____	_____
19 Divide line 18 by 365. The result is a decimal 19
20 Multiply line 19 by 3% (.03). Enter as a decimal 20
21 Multiply line 20 by line 16 21	_____	_____	_____	_____
22 Additional Charge. Add line 21, columns A-D. Enter result here and on line 19 of Form M2, line 15 of Form M3 or line 18 of Form M8 22	_____	_____	_____	_____

You must include this schedule with your Form M2, M3 or M8.

2011 Schedule EST Instructions

Additional Charge for Underpayment of Estimated Tax for Trusts (Form M2), Partnerships (Form M3) and S Corporations (Form M8)

This schedule is not required if you are filing your first Minnesota tax return.

What's New?

Starting with tax year 2011, all pass-through entities (trusts, partnerships and S corporations) must use Schedule EST when determining the additional charge for underpayment of estimated tax.

Individuals will continue to use Schedule M15 to determine if they owe a penalty for underpaying estimated tax. C corporations will use the new Schedule M15C.

Who Must File

If you are a trust, partnership or S corporation, use this schedule to determine if you owe an additional charge for underpaying estimated tax. (Decedent estates are not subject to the additional charge.)

You may owe an additional charge if:

- you did not pay the correct amount of estimated tax by the due dates, even if you expect to receive a refund; or
- your Minnesota tax liability for the current year, less any credits, is \$500 or more.

Exception. You are not subject to an additional charge for underpayment of estimated tax if this is the first year you are filing a Minnesota tax return.

Avoiding the Additional Charge

To avoid an additional charge for underpayment of estimated tax, you must make the required estimated tax payments on time and pay the lesser of:

- 90 percent of your current year's original tax liability, less any credits; or
- 100 percent of your prior year's total tax liability, less any credit. However, if your Minnesota assignable gross income on your 2010 Form M2 is more than \$150,000, you must use 110 percent of your previous year's tax liability instead of 100 percent.

Fiscal Year Taxpayers

If you file your Minnesota return on a fiscal year basis, change the payment due dates to the 15th day of the fourth, sixth and ninth months of your fiscal year, and the first month of your next fiscal year.

Short Taxable Year

If you have a short taxable year, the installments are due on the 15th day of the third,

sixth, ninth and final months. No installment is required for a short taxable year of fewer than four months.

Line Instructions

These instructions refer to your original return. However, an amended return is considered the original return if it is filed by the regular due date of the original return.

Line 2 — 2011 Withholding and Credits

Trusts: Add lines 15b through 15f of your 2011 Form M2.

Partnerships: Add lines 5, 7, 8 and 9 of your 2011 Form M3.

S corporations: Add lines 6, 10, 11 and 12 of your 2011 Form M8.

Optional Short Method or Regular Method

You may use the optional short method *only* if:

- you did not make any estimated tax payments; **OR**
- you paid your 2011 estimated tax in four equal amounts on or before the due date of each installment.

Note: If any payment was made *before* the installment due date, it is best to use the regular method. Using the short method will cause you to pay a larger additional charge than the regular method. If the payment was only a few days early, the difference is likely to be small.

Continue with line 7 to use the optional short method, and skip lines 13-22.

If you are not eligible or you choose not to use the optional short method, use the regular method to determine your additional charge. Skip lines 7-12 and continue with line 13.

Optional Short Method

Line 7

Enter the total amount of 2011 estimated tax payments you made in 2011 and 2012. Do not include any other amounts on line 7.

Regular Method

Complete column A, lines 13-16. Then, depending on whether you have an underpayment or an overpayment, either continue with line 17 of column A (underpayment) or line 13 of column B (overpayment).

Line 13

Enter 25 percent (.25) of line 6 in each of the four columns on line 13.

If you prefer to use the annualized income installment method to determine the installment amounts, contact the department.

Line 14

For each payment period, enter the total amount of:

- estimated payments you paid for each payment period;
- Minnesota income tax withheld in 2011;
- your 2010 income tax refund, if you elected on your 2010 Minnesota return to apply all or a portion of your refund to your 2011 estimated tax; and
- any refundable credits you claim for 2011.

You are considered to have received any refundable credits evenly during the year unless you show otherwise. Your 2011 refund, if any, is considered a credit to your first payment period.

Lines 15 and 16

Compare line 13 of each column to line 14 of the same column.

If line 14 is more than line 13, you have an overpayment for the payment period. Subtract line 13 from line 14 and enter the result on line 15.

Add line 15 to the credit on line 14 of the next column. Overpayments in any quarter following an underpayment must first be applied to making up previous underpayments.

If line 14 is less than line 13, you have an underpayment for that payment period. Subtract line 14 from line 13 and enter the result on line 16. Continue with line 17.

Line 17

If you have an underpayment in all four quarters, in each column enter the date you filed your return or the regular due date for filing your return, whichever is earlier.

Otherwise, enter the date when the underpayment on line 16 was paid in full.

Example: You made your first quarter estimated tax payment on April 20, but you show an underpayment on line 16. On June 14, you paid your second quarter payment in full and included the underpayment from the first quarter. On line 17, you would enter June 14 in the first and second quarter columns.