

Underpayment of Estimated Tax by Fiduciaries

2019

Name as shown on PA-41

Employer Identification Number

SECTION I CALCULATING THE UNDERPAYMENT

1a. 2019 Tax Liability from Line 10 of Form PA-41.	1a.	
1b. Multiply the amount on Line 1a by 0.90.	1b.	
2. Add the amounts reported on Lines 14, 15, 16 and 17 of Form PA-41.	2.	
3. Subtract Line 2 from Line 1a. If result is less than \$246, stop here.	3.	
4. Subtract Line 2 from Line 1b.	4.	

ESTIMATED PAYMENT DUE DATES - If due date falls on a weekend or holiday, use the next business day. Fiscal filers see instructions.

	a April 15, 2019	b June 17, 2019	c Sept. 16, 2019	d Jan. 15, 2020
5. Divide amount on Line 4 by the number of payments required for the year (usually four). Enter the result in the appropriate columns.	5.			
6. Estimated tax paid including carryover credit from previous tax year. See instructions.	6.			
7. Overpayment (from Line 10) from a previous period. See instructions.	7.			
8. Add Lines 6 and 7.	8.			
9. Underpayment (subtract Line 8 from Line 5). If Columns a through d are all zero, stop here. No penalty is due.	9.			
10. Overpayment (subtract Line 5 from Line 8). If Columns a through d show an overpayment, stop here. No penalty is due.	10.			

SECTION II EXCEPTIONS TO INTEREST

The estate or trust will not have to pay interest on the underpayment if the tax payments the estate or trust made as shown in Section II, Line 11 were paid on time and the amount shown on Section II, Line 11 is equal to or more than the amount in Section II, Line 12 or Line 13, for the same payment period. This exception does not apply if the estate or trust did not file a return for the prior year.

EXCEPTION 1 WORKSHEET – Section II, Line 11 Calculation

- A. Divide the amount reported in Section I, Line 2 by 4. Enter the amount in each of the four columns.
- B. Enter the estimated payments reported in Section I, Line 6. Enter the payments under the installment period in which they were paid.
- C. Add Lines A and B under each column.

	a April 15, 2019	b June 17, 2019	c Sept. 16, 2019	d Jan. 15, 2020

11. Enter the amounts listed on Exception 1 Worksheet, Line C. For Column a this is the amount from Line C above. For Column b add the amounts of Columns a and b from Line C; for Column c add the amounts from Columns a, b and c; and for Column d add the amounts from Columns a, b, c and d.	11.				
12. Exception 1 – Tax on 2018 income using 2019 tax rate. See instructions.	12.				

If the amount on Line 11 is equal to or greater than Line 12, the estate or trust does not owe penalty for that payment period and the estate or trust should place an X in the applicable box on Line 14a or 14b for that period.

EXCEPTION 2 WORKSHEET – Use this worksheet if the estate or trust's income was earned unevenly through 2019 and the 2019 estimated tax payments, tax withholdings and credits equal at least 90 percent of the tax on the taxable income for the periods.

Section II, Line 13 Calculation

- A. Enter the actual taxable income for period.
 - B. Annualized amounts.
 - C. Annualized income. Multiply Line A by Line B.
 - D. Multiply Line C by 3.07 percent (0.0307).
 - E. For each period, enter the same type of credits as allowed on PA-41, Lines 14, 15 and 16. See instructions.
 - F. Subtract Line E from Line D. If zero or less, enter zero.
 - G. Applicable percentage.
13. **Exception 2** - Tax based on annualized income, Multiply Line F by Line G.

	01/01/19 - 02/28/19	01/01/19 - 04/30/19	01/01/19 - 07/31/19	01/01/19 - 11/30/19
A.				
B.	6	3	1.71429	1.09091
C.				
D.				
E.				
F.				
G.	22.5%	45.0%	67.5%	90.0%
13.				

If the amount on Line 11 is equal to or greater than Line 13, the estate or trust does not owe penalty for that payment period and the estate or trust should place an X in the applicable box on Line 14a or 14b for that period.

SECTION III CALCULATING INTEREST. COMPLETE LINES 15 THROUGH 16 IF NONE OF THE EXCEPTIONS APPLY. (SEE INSTRUCTIONS AND EXAMPLE AT BOTTOM OF THIS PAGE.) DO NOT USE FEDERAL CALCULATIONS.

14a. Number of days after estimated payment due date to and including date of annual payment or Dec. 31, 2019, whichever is earlier. If Dec. 31 is earlier, enter 260, 197 and 106 respectively.	14a.				
14b. Number of days after estimated payment due date to and including date of annual payment or April 15, 2020, whichever is earlier. If April 15 is earlier, enter 91.	14b.				
14c. Number of days after Dec. 31, 2019 to and including date of annual payment or April 15, 2020, whichever is earlier. If April 15 is earlier, enter 106 in each column.	14c.				
15a. Number of days on Line 14a times 0.000164, times underpayment on Line 9.	15a.	\$	\$	\$	
15b. Number of days on Line 14b times 0.000137, times underpayment on Line 9.	15b.				
15c. Number of days on Line 14c times 0.000137, times underpayment on Line 9.	15c.	\$	\$	\$	
16. Interest. Add amounts on Lines 15a, b and c. Include on Line 21 of Form PA-41.	16.				\$

SPECIAL EXCEPTION INFORMATION

Please enter the following information to verify the correct application of the special exceptions rule:

- A. Enter the estate or trust's 2018 PA Tax Liability (Line 10 from the 2018 PA-41 tax return), less the amounts from Lines 14, 15, 16 and 17 from the 2018 PA-41 tax return. _____
- If the amount for Line A is \$246 or greater, the estate or trust does not qualify for the special exception. See the instructions for "DETERMINING THE UNDERPAYMENT AMOUNT ON WHICH THE ADDITION OF INTEREST MAY BE ASSESSED" on Page 3 for additional information.
- B. Enter the date the estate or residuary trust was established. _____

EXAMPLE OF INTEREST CALCULATION

		1st Estimated Payment Due Date	2nd Estimated Payment Due Date	3rd Estimated Payment Due Date	4th Estimated Payment Due Date
Underpayment		\$473.75	\$473.75	\$473.75	\$473.75
14a. Days late through 12/31/19 (1st, 2nd and 3rd estimated payment due dates)	14a.	260	197	106	
14b. Days late 01/15/20 through 04/15/20 (4th estimated payment due date)	14b.				91
14c. Days late 01/01/20 to 04/15/20 (1st, 2nd and 3rd estimated payment due dates)	14c.	106	106	106	
15a. Days on Line 14a times 0.000164 (2019 daily interest rate), times underpayment of \$473.75	15a.	\$20.20	\$15.31	\$8.24	
15b. Days on Line 14b times 0.000137 (2020 daily interest rate), times underpayment of \$473.75	15b.				\$5.91
15c. Days on Line 14c times 0.000137 (2020 daily interest rate), times underpayment of \$473.75	15c.	\$6.88	\$6.88	\$6.88	
16. Total Lines 15a, 15b and 15c to determine penalty	16.				\$70.30

Instructions for Form REV-1630F

Underpayment of Estimated Tax by Fiduciaries

REV-1630F IN (EX) 01-20

WHAT'S NEW

The interest rate for calculating the estimated underpayment penalty for January 1 to April 15, 2020 underpayments was decreased to an annual rate of 5% (0.05) or a daily rate of 0.000137.

GENERAL INFORMATION

The estimated underpayment penalty is an interest penalty for the failure to make estimated tax payments or the failure to make estimated tax payments in the correct amount. The interest rate used to determine the penalty is based upon the interest rate determined each year on the underpayment of taxes. Under Pennsylvania personal income tax law, any fiduciary that reasonably expects the income of the estate or trust the fiduciary administers to exceed \$8,000, disregarding income subject to PA withholding, must declare and pay estimated tax.

 **IMPORTANT:** Estates and residuary trusts are not required to make estimated tax payments for the first two tax years and will not be charged a penalty for underpayment of taxes for those years. All other trusts are subject to estimated tax rules and regulations and may be charged penalty accordingly.

PURPOSE OF FORM

Use this form to determine if the estate or trust paid enough estimated tax in each of the four payment periods (Section I). If the estate or trust did not pay enough tax in any period, then there is an underpayment for that period and a corresponding interest penalty imposed. Use this form to determine if any exceptions to the interest penalty apply (Section II). If an exception does not apply, use the form to calculate the interest due (Section III). This form must be filed even if one of the exceptions applies. A different exception may apply for each period.

 **NOTE:** If the estate or trust is using this form to calculate penalty on its 2019 return, enclose a copy of this form (including applicable worksheet) with Form PA-41.

WHO MUST COMPLETE

Estates and Trusts who meet the qualifications for Exception 1 for one or more of the estimated tax payment periods may complete the form to calculate the penalty or to show why the penalty should not be applied. Estates and Trusts who meet the qualifications for one or more of the estimated tax payment periods under Exception 2 in Section II must

complete the Exception 2 Worksheet to show why the penalty should not be applied.

 **IMPORTANT:** The department will use its computer system to calculate the penalty based upon the tax liability calculated by the department and the estimated tax payments received and carryover credit applied for an estate or trust for the tax year. The department will also determine any exceptions to the penalty for any of the estimated tax payment periods using Exception 1 when calculating the penalty. If an estate or trust does not include the penalty or incorrectly calculates the penalty, the department will send correspondence to estate or trust notifying them of the correct penalty and reduce the refund amount or bill the estate or trust for the amount due.

WHO MUST PAY INTEREST FOR UNDERPAYMENT OF ESTIMATED TAXES

If the estate or trust did not pay any estimated tax or did not pay the correct estimated tax by any due date, or if the estate or trust did not pay the entire 2019 estimated tax in one payment on or before April 15, 2019, the estate or trust may be charged an interest penalty. This is true even if the estate or trust is due a refund when it files its PA income tax return. Interest is calculated separately for each period. Therefore, the estate or trust owes interest for an earlier period, even if the estate or trust paid enough tax later to make up for the underpayment.

WHEN INTEREST IS APPLIED

In general, the estate or trust owes interest if there is an underpayment and the timely 2019 payments were not:

- 90 percent of the estimated tax due for the period calculated using the tax shown on the current return as determined using the annualization method; or
- 100 percent of the estimated tax due for the period calculated by multiplying the taxable income shown on Line 9 of the estate or trust's 2018 Form PA-41 by 3.07 percent (0.0307). This provision does not apply if the estate or trust did not file a return for tax year 2018.

FORM INSTRUCTIONS

IDENTIFICATION INFORMATION

Name

Enter the name of the the estate or trust.

Employer Identification Number

Enter the federal employer identification number (FEIN) of the estate or trust.

LINE INSTRUCTIONS

SECTION I

CALCULATING THE UNDERPAYMENT

Line 1a. Insert the tax liability figure from Line 10 of the estate or trust's 2019 PA-41 tax return.

Line 1b. Calculate 90 percent of Line 1a by multiplying Line 1a by 0.90.

Line 2. The credits allowed to reduce the tax due are also used to reduce the tax liability for this calculation. Add Line 14 (Nonresident Tax Withheld from PA Schedule(s) NRK-1), Line 15 (Total Credit for Taxes Paid by PA Resident Estates or Trusts to Other States), Line 16 (Total Other Credits) from the PA-41 and Line 17 (PA Income Tax Withheld). If Line 2 is more than Line 1b, the estate or trust does not owe a penalty and does not need to complete this form.

Line 3. Subtract Line 2 from Line 1a. If the amount is \$246 or more, complete Lines 4 through 10. If less than \$246, the estate or trust did not owe estimated income tax and does not have to complete this form.

Line 4. Subtract Line 2 from Line 1b. This amount is used to determine if the estate or trust has an underpayment. If the estate or trust has an underpayment, the penalty is calculated on this amount.

Line 5. Divide Line 4 by 4 and enter the amount in each of the four columns.

Fiscal year filers. For Column a use the 15th day of the fourth month of the tax year, for Column b use the 15th day of the sixth month of the tax year, for Column c use the 15th day of the ninth month of the tax year and for Column d use the 15th day of the first month following the close of the tax year.

Line 6. Line 6 represents the timely payments credited to the estate or trust's account for each of the four periods. Each column will indicate a total of the estate or trust's estimated payments for the period. To calculate the amounts to be entered on Line 6, use the following steps and insert the total result for each column in the appropriate column. Do not include any credits from Line 2.

In Column a, enter the amount of 2019 estimated tax payment(s) made on or before April 15. Include in the estimated tax payments in Column a any overpayment of tax from the prior year's return that the estate or trust elected to apply to this year's tax. In Column b, enter the amount of 2019 estimated payments made after April 15 and on or before June 17. In Column c, enter the amount of 2019 estimated payments made after June 17 and on or before Sept. 16. In Column d, enter the amount of 2019 estimated payments the estate or trust made after Sept. 16 and on or before Jan. 15, 2020.

 **IMPORTANT:** Complete Lines 7 through 10 for one period before going to the next period.

Line 7. If the estate or trust has an overpayment on Line 10 for the prior period, enter that amount. This does not apply to the April 15th payment period (Column a).

Line 8. Add Lines 6 and 7 for each of the columns to determine the total payments applied to the period. This figure will be used to determine if there is an underpayment.

Line 9. If Line 5 is greater than Line 8 for any column, calculate the amount of the underpayment for the payment period by subtracting Line 8 from Line 5. If Line 8 is greater than Line 5 for any column, subtract Line 5 from Line 8 and enter it in the appropriate column and on Line 7 of the next payment period. If Line 5 is not greater than Line 8 for any of the Columns a through d, enter zero on Line 9. If all Columns 9a through 9d are zero, stop here. The estate or trust does not owe the interest penalty. If there are overpayments but not in every period, go to the applicable columns for Lines 14a and 14b and place an X in each column where an overpayment exists.

Line 10. Calculate the amount of the overpayment for the payment period. Enter this amount on Line 7 of the next payment period. If the estate or trust has an overpayment in the Jan. 15th payment period, do not carry it to any other space on the form.

If Line 9 is zero for all payment periods, the estate or trust does not owe an interest penalty. If the estate or trust has an underpayment on Line 9 in any payment period, continue on to Section II, Exception 1 Worksheet.



NOTE: If there are columns with underpayments, the estate or trust must complete the rest of this form.

SECTION II

EXCEPTIONS TO INTEREST

Line 11. Enter the result of Exception 1 Worksheet, Line C.

Line 12. Exception 1 applies if the 2019 estimated tax payments and credits equal the tax that would have been due on the estate or trust's 2018 income and if the estate or trust used the current year's tax rate. This provision does not apply if the estate or trust did not file a return for the prior year.

To calculate, multiply Pennsylvania taxable income from the estate or trust's 2018 return by 3.07 percent (0.0307). Enter 25 percent of this amount in Column a, 50 percent in Column b, 75 percent in Column c and 100 percent in Column d. If the amount on Line 11 is equal to or greater than the amount on Line 12 in any of the columns, the estate or trust does not owe interest for that payment period and the estate or trust should place an X in the applicable Line 14a or 14b for that period. If the amount on Line 11 is less than the amount on Line 12 for any payment period, continue on to Exception 2 for those periods.

Line 13. Exception 2 applies if the estate or trust's 2019 estimated tax payments and credits equal at least 90 percent of the tax on its actual taxable income for the

periods from: Jan. 1 to Feb. 28; Jan. 1 to April 30; Jan. 1 to July 31; and Jan. 1 to Nov. 30.

On Line A, enter the estate or trust's actual income per period. Multiply Line A by the annualized amount in Line B and enter the result in Line C. Multiply Line C by 3.07 percent (0.0307) and enter the result in Line D. In Line E, enter the credits from Section I, Line 2, the estate or trust is entitled to because of events that occurred during the months in the column headings. Do not annualize any credit. Subtract Line E from Line D and enter the result in Line F. If zero or less, enter zero. Multiply Line F by the percentage shown in Line G and enter the result in Line 13.

SECTION III

CALCULATING INTEREST

Use this part of the form to calculate the amount of the interest penalty due. If one of the exceptions applies for any of the periods, place an X in the boxes under the column for that period. The estate or trust only has to complete Lines 14 and 15 for the periods in which interest is due. The amount of the underpayment is the amount on Line 9 for the appropriate payment period.

Lines 14a, 14b and 14c.

Line 14a. Applies to first, second and third periods for calendar year filers and any fiscal filer payments that were due on or before Dec. 31. If no estimated payments were made during the year, use the number of days after the due date of the estimated payment to and including the date of the annual payment or Dec. 31, whichever is earlier. If Dec. 31 is earlier, enter 260 in Column a, 197 in Column b and 106 in Column c. Fiscal filers adjust according to estimated payment due dates.

Line 14b. If no estimated payment was made for the fourth period, use the number of days after the estimated payment due date to and including date of annual payment or April 15, 2020, whichever is earlier. If April 15 is earlier, enter 91 in Column d. Fiscal year filers adjust according to due date of annual return.

Line 14c. Applies to first, second and third periods for calendar year filers and any fiscal filer payments that were due after Dec. 31. If no estimated payments were made, use the number of days after Dec. 31, 2019 to and including date of annual payment or April 15, 2020, whichever is earlier. If April 15 is earlier, enter 106 in each column. Fiscal year filers adjust according to due date of annual return.

If an estate or trust fully pays an underpayment after a required due date but prior to or on the next due date, then the number of days after the due date of the estimated payment in Lines 14a, 14b or 14c must be adjusted. To make the adjustment, count the days from the due date to the date of payment.

If the estate or trust partially pays an underpayment after a required due date but prior to or on the next due date, that partial payment is considered a reduction, on the payment

date, to the oldest period's underpayment. For such situation, the estate or trust will need to adjust this part accordingly.

EXAMPLE OF WHEN ESTIMATED UNDERPAYMENT APPLIES:

Tax liability for current tax year	\$3,599
Less current tax year's withholding and credits	<u>1,344</u>
	\$2,255

Current withholding and credits must be less than the smaller of the following to be penalized for estimated underpayment:

- \$3,239 (90 percent of the tax liability on the current return); or
- \$3,502 (PA taxable income on prior year's return multiplied by the current year's tax rate).

In this case, \$1,344 is less than both safe harbors.

Since the current PA tax liability minus current withholding and credits is at least \$246 and since the current year withholding and allowable credits are less than \$3,239, the estate or trust should fill out Form REV-1630F to determine if there is an underpayment of estimated tax.

DETERMINING IF THERE IS AN UNDERPAYMENT AND HOW THE DEPARTMENT DETERMINES THE DECLARATION

An estate or trust makes an underpayment of quarterly estimated tax liability whenever it fails to declare or pay all or any part of the amount declared as the quarterly estimated payment.

DETERMINING THE UNDERPAYMENT AMOUNT UPON WHICH THE ADDITION OF INTEREST MAY BE ASSESSED

The amount to use is the amount that the estate or trust should have paid in estimated taxes if the estate or trust could have used the PA Tax Liability as shown on Line 10 of the PA-41 return.

The underpayment amount is the difference between the tax liability times 90 percent, minus any credits for the applicable period (calculated by dividing 90 percent of Line 10 of Form PA-41 minus any withholding and credits, by the number of estimated payment periods) and the estimated payments paid on time for that period.

 **IMPORTANT:** The amounts calculated in each of the columns on Lines 12 and 13 for Exceptions 1 and 2 (respectively) cannot be used to determine the underpayment penalty. The estate or trust must use Line 9 in this calculation. However, if the estate or trust had no estimated tax payment requirements for a previous tax year because the tax liability was below the threshold required for estimated tax payments to be made, special exceptions apply and the estate or trust may not owe penalties for the periods prior to the meeting the estimated payment requirements.

Special exceptions only apply if an estate or trust files an original or amended PA-40 ES (F/C), Declaration of Estimated or Estimated Withholding Income Tax for Fiduciary and Partnerships, and makes the full estimated tax payment due in the first period in which it is determined the estimated payment requirements have been met for a year following a year in which no estimated payments were due or required to be made.

If the PA-40 ES (F/C) is not filed in the correct period or if the full estimated tax payment is not made in that period, the special exception does not apply for any periods, and the estimated underpayment penalty will apply for all periods in which the estimated tax underpayment exists.

In situations where conditions exist for the exception to apply, complete the Exception 2 worksheet to indicate the periods in which the income (Line A) was earned and the tax liability (Line B) for those periods. Place an X in the applicable box on Line 14a to indicate that the estate or trust does not owe a penalty for each period the special exception applies. The estate or trust must also complete the "SPECIAL EXCEPTION INFORMATION"- section in Section III by entering the information requested for Line A.

In addition, if the fiduciary entity is an estate or a residuary trust from an estate, enter the date the entity was established. An estate would typically enter the date of death of the taxpayer establishing the estate. A residuary trust enters the date the assets of an estate are transferred to the custody of the trust.

BILLING THE ADDITION OF INTEREST

The interest to be added to the estate or trust's tax liability for an underpayment is to be billed per period. The interest to be added is based upon the amount of the underpayment per period.

Interest is assessed upon the underpayment amount until the estate or trust has made payments for the applicable period that equal the amount of the declared quarterly estimated payment liability. However, interest may not be imposed beyond the 15th day of the fourth month of the close of the estate or trust's taxable year (typically April 15th) for any period.

If an estate or trust makes a late payment for a period in which an underpayment exists and his total payments for that period are less than the amount of the declared estimated tax liability or the required estimated amount, interest is billed upon the underpayment amount. However, as soon as an estate or trust makes a late payment for a period in which an underpayment exists, the underpayment is reduced by the late payment amount even if the total payment amount is less than the amount of the estate or trust's declared estimated tax liability.

When the estate or trust has made payments for the underpayment period equal to his declared quarterly estimated tax liability, the department does not impose interest for that period.