

## 2009 Schedule M15 instructions

Underpayment of Estimated Income Tax for Individuals (Form M1), Trusts (Form M2) and Partnerships (Form M3)

### Who must file

If you are an individual, a trust or partnership, use this schedule to determine if you owe a penalty for underpaying estimated tax.

**Individuals.** You may owe an underpayment penalty if you received income in 2009 on which \$500 or more of Minnesota income tax is due after you subtract:

- the Minnesota income tax that was withheld from your income, and
- the total you claim for the 2009 Minnesota child and dependent care, working family, K-12 education, lower income motor fuels tax, bovine tuberculosis testing and Job Opportunity Building Zone (JOBZ) jobs credits.

You do not have to pay an underpayment penalty if all of the following apply:

- you did not have a Minnesota tax liability on line 23 of your 2008 Form M1,
- you were a Minnesota resident for all of 2008, and
- your 2008 return covered a 12-month period.

### Nonresidents and part-year residents.

Determine your required annual payment based on your Minnesota assignable adjusted gross income.

**Farmers and commercial fishermen.** If you filed Form M1 and paid your entire income tax by March 1, 2010, or paid two-thirds of your income tax by January 15, 2010, you do not have to complete this schedule.

You are considered a farmer or commercial fisherman if two-thirds of your annual gross income is earned by farming or commercial fishing.

**Trusts.** You may owe an underpayment penalty for 2009 if:

- the amount on line 13 of your 2009 Form M2, less lines 14b, 14c and 14d of your 2009 Form M2 is \$500 or more, or
- you did not pay the required amount of estimated tax by the due dates.

**Partnerships.** You may owe an underpayment penalty for 2009 if:

- the sum of line 1 (minimum fee) and line 3 (nonresident withholding) of your 2009 Form M3, less any credits from lines 5, 7, 8 and 9 of Form M3, is \$500 or more,
- any nonresident partner's share of the composite income tax is \$500 or more, or

- you did not pay the required amount of estimated tax by the due dates.

Use a separate Schedule M15 to determine the penalty for underpaying estimated tax on your minimum fee/nonresident withholding and for each nonresident individual partner electing to file composite income tax.

**Corporations.** A corporation or an S corporation must use Schedule EST, *Additional Charge for Underpayment of Estimated Tax by Corporations*, to determine the penalty for underpaying estimated franchise tax or S corporation taxes.

### Exceptions to the penalty

If the Internal Revenue Service (IRS) does not require you to pay additional charges for underestimating your federal tax because you are newly retired or disabled, or because of a casualty, disaster or other unusual circumstances, do not complete Schedule M15. Include a copy of your federal request with your Form M1.

### Avoiding the penalty

**Individuals, trusts and partnerships.** To avoid an underpayment penalty of estimated tax, you must have had withholding or made the required, timely estimated tax payments and paid the lesser of:

- 90 percent of your current year's original tax liability (66.7 percent if you are a farmer or commercial fisherman), or
- 100 percent of your prior year's total tax liability—unless your federal adjusted gross income on your 2008 Form M1 or Minnesota assignable gross income on your 2008 Form M2 is more than \$150,000, then you must use 110 percent of your previous year's tax liability instead of 100 percent.

Nonresidents and part-year residents must have had at least \$1 of Minnesota tax liability to use 100 percent of the prior year's tax.

### 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.

### Line instructions

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

*date of the original return. Also, a joint Form M1 that replaces previously filed separate returns is considered the original return.*

#### Line 1

**Partnerships:** If you are determining the penalty for underpaying estimated tax on:

- the minimum fee/nonresident withholding, add lines 1 and 3 of your 2009 Form M3, and enter the result on line 1 of Schedule M15.
- a nonresident individual partner electing to file composite income tax, enter the amount from line 33 of the partner's Schedule KPI.

#### Line 2

**Partnerships:** If you are determining the penalty for underpaying estimated tax on:

- the minimum fee/nonresident withholding, add lines 5, 7, 8 and 9 of your 2009 Form M3. Enter the total on line 2 of Schedule M15.
- a nonresident individual partner electing to file composite income tax, add lines 11, 12 and 13 of the partner's 2009 Schedule KPI and enter the total on line 2 of Schedule M15.

#### Line 5

If you did not file a 2008 return, skip line 5 and enter the amount from line 4 on line 6.

**Individuals:** Enter the amount from line 23 of your 2008 Form M1, unless your 2008 federal adjusted gross income (from line 37 of federal Form 1040 or line 21 of Form 1040A) was more than \$150,000. Nonresidents and part-year residents use Minnesota assignable adjusted gross income.

If your 2008 federal adjusted gross income was more than \$150,000, multiply line 23 of your 2008 Form M1 by 110 percent (1.10). Enter the result on line 5 of Schedule M15.

**Trusts.** Enter the amount from line 13 of your 2008 Form M2, unless your 2008 Minnesota assignable adjusted gross income was more than \$150,000. If the trust had more than \$150,000 of Minnesota assignable adjusted gross income, multiply line 13 of the 2008 Form M2 by 110 percent (1.10) and enter the result on line 5 of Schedule M15.

**Partnerships:** If you are determining the penalty for underpaying estimated tax on:

- the minimum fee/nonresident withholding, add lines 1 and 3 of your 2008

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Form M3 and enter the result on line 5 of Schedule M15.

- a nonresident individual partner electing to file composite income tax, enter the partner's share included on line 2 of your 2008 Form M3.

## Optional short method or regular method

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

- you did not make any estimated tax payments (or your only payments were from Minnesota income tax withheld from your wages), **OR**
- you paid your 2009 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 penalty 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.

If you are not eligible or if you choose not to use the optional short method, you must use the regular method to determine your underpayment penalty. Skip lines 7–12 and continue with line 13.

## Optional short method

### Line 7

Enter the total amount of 2009 estimated tax payments you made in 2009 and 2010. Do not include any other amounts on line 7.

### Line 12

Subtract line 11 from line 10. This is the amount of your underpayment of estimated tax penalty.

**Individuals:** Enter this amount on line 37 of your 2009 Form M1.

If you owe an amount on line 36 of Form M1, add the penalty on line 12 of this schedule to the amount owed and replace line 36 of Form M1 with the total.

If you have a refund on line 34 of Form M1, subtract the penalty on line 12 of this schedule from your refund and replace line 34 of Form M1 with the result.

**Trusts.** Enter the underpayment penalty on line 18 of Form M2.

**Partnerships.** Enter the underpayment penalty on line 15 of Form M3.

## Regular method

Complete column A, lines 13–16. Then, depending on whether you have an underpay-

ment 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, unless one of the two following conditions applies to you:

- 1 Your taxable income was higher at some times during the year and lower at others.

You may benefit by figuring your installments using the annualized income installment method. For example, if you received income from which no tax was withheld in April or later, complete the worksheet on the back of Schedule M15.

The annualized income installment worksheet automatically selects the smaller of the annualized income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring earlier installments).

If you use this method for one payment due date, you must use it for all. Follow the worksheet instructions on the back of Schedule M15.

- 2 You are a farmer or commercial fisherman and you did not pay your entire income tax by March 1, 2010, or you did not pay two-thirds of your income tax when you paid your estimated tax by January 15, 2010.

Enter the full amount of line 6 under column D of line 13 and omit columns A, B and C of line 13.

### Line 14

**Individuals.** For each payment period, enter the total amount of:

- estimated payments you paid for each payment period,
- Minnesota income tax withheld in 2009,
- your 2008 income tax refund, if you elected on your 2008 Minnesota return to apply all or a portion of your refund to your 2009 estimated tax, and
- any refundable credits you claim for 2009.

You are considered to have paid any Minnesota income tax withheld or received any refundable credits (child and dependent care, working family, K–12 education, lower income motor fuels tax, bovine tuberculosis testing or JOBZ credits) evenly over the period you worked during the year unless you show otherwise. If you worked all year, divide the total amount of withholding and credits by 4, and enter the result in each column. Your 2008 refund, if any, is considered a credit to your first payment period.

If you filed your 2009 Minnesota return and paid the tax you owed on or before January 31, 2010, you may consider the tax paid as of January 15, 2010.

**Trusts.** Enter the total amount of prepaid taxes from line 14 of your 2009 Form M2.

**Partnerships.** Enter the amount of prepaid taxes from line 11 of your 2009 Form M3.

## 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 April 15, 2010, 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.

### Line 22

Add the amounts on line 21, columns A–D and enter the result on line 22. This is the amount of your underpayment of estimated tax penalty.

**Individuals.** Enter this amount on line 37 of your 2009 Form M1.

If you owe an amount on line 36 of Form M1, add the penalty on line 22 of this schedule to the amount owed and replace line 36 of Form M1 with the total.

If you have a refund on line 34 of Form M1, subtract the penalty on line 22 of this schedule from your refund and replace line 34 of Form M1 with the result.

**Trusts.** Enter your underpayment penalty on line 18 of Form M2.

**Partnerships.** Enter your underpayment penalty on line 15 of Form M3.