



IT 2210-1041 Line Instructions

**Line 5** If your 2005 return reflected a period of less than 12 months, do not complete this line; instead, enter the amount from line 4 on line 6.

**Line 11** Multiply the amount on line 6 by the percentage indicated at the top of columns (a), (b), (c) and (d). However, if your income varied during the year (e.g., you operated a business of a seasonal nature), you may be able to lower the amount of your required payment for the due dates by using the annualized income installment method. If you use this method for any payment due date, you must use it for all payment due dates. Please enclose detailed calculations.

**Line 12** A fiduciary may be an equity investor in one or more other pass-through entities (hereafter referred to as the "investee pass-through entity"). The investee pass-through entity may file Ohio form IT 1140 or IT 4708 to pay tax (hereafter referred to as "withholding tax") on behalf of the fiduciary with respect to the investee pass-through entity's taxable year ending within or with the last day of the fiduciary's taxable year.

Unless the fiduciary shows otherwise, the fiduciary is considered to have had paid on each payment due date one-fourth of the total amount actually withheld by the investee pass-through entity for the fiduciary. For example, if the fiduciary's total Ohio pass-through entity tax withheld (by the investee pass-through entity) for the year is \$1,000, the fiduciary is considered to have paid \$250 for each fiduciary income tax payment due date. On a cumulative basis, the amount so paid (and reported on line 12) is \$250, \$500, \$750 and \$1,000.

**Line 17** The listed ratios are based upon the statutory interest rate (6% for 2006 and 8% for 2007) and the time during which the estimated payment was late. The general formula for computing the ratio is: ratio = interest rate x numbers of days the payment is late/365.\* The listed ratios are computed from the payment due date at the top of each column to the following payment due date and apply **only** if the taxpayer either (1) never made the estimated payment or (2) made full payment on or after the following payment due date.

For example, the ratio in column (a) is computed by multiplying the interest rate (6%) times the number of days from the 4/17/06 estimated payment due date to the 6/15/06 estimated payment due date (59 days) and dividing by 365.

$$\text{Ratio} = \text{interest rate} \times \text{number of days late} / 365^*$$

$$\text{Ratio} = .06 \times 59 / 365 = .009699$$

**Example 1** – Assume that the underpayment shown on line 16 for the 4/17/06 due date is \$1,000. Also assume that the taxpayer made no estimated payment during the period 4/17/06 through 6/15/06. The taxpayer will compute interest penalty for the period 4/18/06 through 6/15/06 by multiplying the underpayment shown on line 16, column (a) by the ratio .009699 shown on line 17, column (a):

$$\text{Interest penalty} = \$1,000 \times .009699 = \$9.70$$

However, if the taxpayer made **full** payment of the required estimated payment after the 4/17/06 due date but before the 6/15/06 payment due date, then the taxpayer should ignore the ratio shown on line 17 and recompute the ratio based upon the general formula. See Example 2.

**Example 2** – Assume that the underpayment shown on line 16 for the 4/17/06 due date is \$1,000. Also assume that the taxpayer paid this full amount on 5/15/06 (which is after the 4/17/06 payment due date but before the next payment due date, 6/15/06). Compute the ratio as follows:

**Step 1.** Determine the number of days from the date the payment was due (4/17/06) to the date the payment was paid (5/15/06) = 28 days.

**Step 2.** Calculate the ratio using the following formula:

$$\text{Ratio} = \text{interest rate} \times \text{number of days late} / 365^*$$

$$\text{Ratio} = .06 \times 28 / 365 = .00460$$

The taxpayer should enter the recomputed ratio, .00460, on an enclosed sheet of paper and then compute interest penalty for the period 4/18/06 through 5/15/06 by multiplying the underpayment by the recomputed ratio. This method applies **only** if the taxpayer actually made **full** payment of the required estimated payment after the due date but before the next payment due date. If the taxpayer made a partial payment after the due date, see Example 3, below.

**Line 18** Multiply the ratio on line 17 by the respective underpayment on line 16. However, if a **partial payment** is made after the payment due date but before the next payment due date, ignore the ratio on line 17 and use the following formula to compute the interest penalty on the underpayment for the period before **and** the period after the date of the partial payment.

$$\text{Interest penalty} = \text{underpayment} \times \text{interest rate} \times \text{number of days late} / 365^*$$

**Example 3** – Assume that the underpayment shown on line 16 for 4/17/06 is \$1,000 and that the taxpayer paid \$600 of this amount on 5/15/06 (which is after the 4/17/06 payment due date but before the next payment due date of 6/15/06). Compute the interest penalty for column (a) on line 18 as follows:

**Step 1.** Determine the number of days from the 4/17/06 payment due date to the 5/15/06 date of the partial payment: 4/17/06 to 5/15/06 = 28 days.

**Step 2.** Calculate the interest penalty on the \$1,000 underpayment for the 28-day period from 4/17/06 to the 5/15/06 partial payment date using the following formula:

$$\text{Interest penalty} = \text{underpayment} \times \frac{\text{interest rate}}{\text{rate}} \times \frac{\text{number of days late}}{365^*}$$

$$\text{Interest penalty} = \$1,000 \times .06 \times 28 / 365 = \$4.60$$

**Step 3.** Determine the number of days from the 5/15/06 payment date to the next required due date of 6/15/06: 5/15/06 to 6/15/06 = 31 days.

\*For leap years use 366 days instead of 365 days.

**Step 4.** Calculate the interest penalty on the \$400 (\$1,000-\$600) underpayment for the 31-day period from 5/15/06 to 6/15/06 using the following formula:

$$\text{Interest penalty} = \$400 \times .06 \times 31/365 = \$2.04$$

**Step 5.** Add the amounts determined in Steps 2 and 4 (\$4.60 + \$2.04 = \$6.64). This is the total interest penalty for the period 4/17/06 to 6/15/06. Enter this amount on line 18, column A.

**Note #1:** Some estates may be able to avoid the interest penalty if they (i) combine their state income tax with their school district income tax and (ii) determine if they meet any one of the following three requirements:

- (a) The sum of their state income tax liability for the current year (year 2006 form IT 1041, line 11) and their school district income tax liability (year 2006 form SD 100E, line 3), reduced by their combined withholdings, combined refundable credits and combined overpayment credit carryovers from year 2005, is no more than \$500.
- (b) The sum of their combined state and school district withholdings, combined refundable credits and combined overpayment credit carryovers from year 2005 is equal to or greater than the sum of their state income tax liability for the immediately preceding year (year 2005 form IT 1041, line 11) and their school district income tax liability for the immediately preceding year (year 2005 form SD 100E, line 4).
- (c) The sum of their combined state and school district withholdings, combined refundable credits and combined overpayment credit carryovers from year 2005 is equal to or greater than 90% of the sum of their state income tax liability for the current year (year 2006 form IT 1041, line 11) and their school district income tax liability for the current year (year 2006 form SD 100E, line 3).

If this note applies to you, you will have to modify the Ohio form IT 2210-1041, accordingly. Be sure to include with both your form IT 1041 and your form SD 100E a copy of the modified form IT 2210-1041.

**Note #2: Special rule for farmers and fishermen**

Ohio Administrative Code (Rule) 5703-7-04 provides two options for each taxpayer whose total gross income is at least two-thirds from farming and fishing, as those terms are defined under U.S. Treasury regulation sections 1.6073-1(b)(2) and (3). Such taxpayers may choose either of the following two options in lieu of making the four estimated income tax payments:

- Option #1 – Make no payments of estimated tax but file the yearly income tax return and pay all tax due by the first day of

the third month following the close of the taxpayer's taxable year (for calendar year taxpayers, this date would be March 1 of the year immediately following the taxable year). If this date falls on a Saturday, Sunday or holiday, then the payment of tax and the filing of the income tax return are due on the first business day immediately following the first day of the third month following the close of the taxable year.

- Option #2 – Pay all estimated tax (90% of the current taxable year's tax or 100% of the immediately preceding taxable year's tax) by the 15th day of the first month following the close of the taxpayer's taxable year (for calendar year taxpayers, this date would be Jan. 15 of the calendar year immediately following the taxable year), and file the annual individual income tax return on or before the 15th day of the fourth month following the close of the taxpayer's taxable year (for calendar year taxpayers, this date would be April 15 of the year immediately following the taxable year). If any such date falls on a Saturday, Sunday or holiday, then the due date becomes the first business day immediately following such due date.

Under this second option the taxpayer has the election to extend the filing of the Ohio income tax return if the taxpayer has received from the Internal Revenue Service an extension of time to file the U. S. income tax return. Note that there is no extension of time to pay the tax due. See Ohio Administrative Code (Rule) 5703-7-05, which addresses the imposition of penalties and interest (and safe harbors to avoid penalties) for taxpayers who fail to pay in all tax due by the unextended due date.

If you qualify for and choose option number 1, then enter -0- on line 19 on page 1 of Ohio form IT 2210-1041. Also, enter -0- on line 12 of form IT 1041. When you send to us your form IT 1041, please be sure to include page 1 of the form IT 2210-1041.

If you qualify for and choose option number 2, then do not complete lines 11 through 18, columns a, b and c. Complete lines 11-18 for column d to determine if there is any interest penalty due. Enter on line 19 on this form IT 2210-1041 and on line 12 of form IT 1041 the amount you compute and show on line 18, column d on form IT 2210-1041. When you send to us your form IT 1041, please be sure to include page 1 of the form IT 2210-1041.