

# Personal tax tip #54

## Should you pay estimated tax to Maryland?

### What are estimated taxes?

Estimated taxes are part of a pay-as-you-go plan of income tax collection adopted by Maryland for taxpayers, such as self-employed individuals, who do not have taxes withheld by an employer.

### Who should pay estimated taxes?

If you are required to file a Maryland income tax return, and no taxes were withheld (or not enough), and your gross income would be expected to develop a tax of more than \$500 in excess of any withholding, then you must file and pay estimated taxes to Maryland.

### What about income from awards or prizes?

You must file [Maryland Form PV](#) (Declaration of Estimated Tax) with payment in full within 60 days of receiving \$500 or more of income from wagering, awards, prizes, lotteries or raffles, whether paid in cash or property. Form PV is included in the Maryland tax booklet. For Maryland state lottery winnings of more than \$5,000 taxes are automatically withheld and a declaration is not required.

If you win less than \$500, you don't have to file Form PV, but you still must report the winnings and pay tax on it when you file your annual state income tax return.

### How should I file as an estimated taxpayer?

If you are filing estimated taxes for the first time, you must complete and file [Form PV](#) to establish your account.

### When should I file?

You should file [Form PV](#) or the voucher by the following dates:

1<sup>st</sup> quarter - April 15

2<sup>nd</sup> quarter - June 15

3<sup>rd</sup> quarter - September 15

4<sup>th</sup> quarter - January 15 (of the following calendar year)

### What if the due date is a non-work day?

If the due date falls on a Saturday, Sunday or legal holiday, then the return or voucher would be due on the next business day.

### Can I file and pay estimated tax under another schedule?

If you filed the first three quarterly payments and you file your final individual return before January 31st, paying the balance due with that return, then you would not be required to file and pay the fourth quarter declaration payment normally due on January 15th.

### **How much do I need to pay?**

To avoid interest, your four equal installment payments must be paid timely and must total:

- 90 percent of the state income tax developed for the current year, or
- 110 percent of the previous year's state tax liability paid quarterly as required, unless the income is from wagering, awards or prizes.

Each quarterly payment must be at least 25 percent of your required total.

### **What about a husband and wife who owe estimated taxes?**

A husband and wife may file a joint Form PV regardless of whether their final return is filed as joint or separate. The estimated tax may be claimed in any proportion on the final return as long as the amounts claimed separately do not exceed the total paid. If a husband and wife plan to file a joint return, they should make estimated tax payments to a joint account.

### **How should I file if only my recent income is subject to estimated tax?**

If you receive taxable income during the year which is not subject to withholding and which results in a tax liability of \$500 or more, you should file Form PV or your preprinted voucher and prorate payments over the remaining quarters.

### **What if I overpay - can I apply my refund to my future estimated tax liability?**

If you are due a refund when you file your individual income tax return, you may apply all or part of the overpayment to your following year's estimated tax. If the overpayment applied equals or exceeds the estimated tax liability for the first quarter payment, you are not required to file the declaration for that quarter. If the overpayment applied is less than the estimated tax liability, you should file the declaration and pay the balance of the first installment. If you do not have them, please contact us by phone at 410-260-7980 from Central Maryland or toll-free 1-800-MD TAXES from elsewhere.

### **Can I file and pay my estimated taxes electronically?**

Yes. You may file and pay your estimated taxes electronically using our [iFile](#) program. We give you the ability to make a single estimated tax payment and provide you with the convenience of scheduling all of your payments at one time. These scheduled payments will be deducted from your bank account on the dates that you specify.

### **Can I pay estimated taxes by credit card?**

Yes. You can pay your balance by using your MasterCard, Discover, AmericanExpress or VISA credit card. Credit card payments may be made online or by telephone. The online option is available to everyone. However, in order to use the telephone option, you must have filed a prior year Maryland income tax return. Both options charge a convenience fee on the amount of your payment. You will be informed of the fee amount before you complete your transaction. The State will not receive this fee. Do not include the amount of the convenience fee as part of the tax payment. To make a credit card payment online, please visit our [website](#). To make a credit card payment by telephone, call 1-800-2PAYTAX (1-800-272-9829). If you pay by check or money order, make it payable to Comptroller of Maryland. Do not send cash.