

EBOOK \\\

# Form 1040

**Key takeaways: Estimated payments, extensions, and common errors**



## Key takeaways: Estimated payments and extensions

- Taxes must be paid through withholding or estimated tax payments as income is earned.
- Individuals, sole proprietors, partners, and S corporation shareholders generally have to make estimated tax payments if they owe \$1,000 or more in taxes.
- Estimated tax payments can be avoided if certain criteria are met, such as having no tax liability the prior year, being a U.S. citizen or resident alien for the full year, and the preceding tax year being 12 months.
- A penalty may occur if taxpayers haven't paid enough tax, but most will avoid penalties if they owe less than \$1,000 or paid at least 90% of the tax due for the current year or 100% of the prior year's tax.



## Key takeaways: Estimated payments and extensions

- The year is divided into four payment periods for estimated tax payments, each with a specific due date. Penalties might be charged if the payment due date is missed, even if a refund is expected when filing the income tax return.
- Automatic tax-filing extensions are available for people in federally declared disaster areas, active-duty military personnel stationed overseas or in combat zones, and non-resident citizens or aliens living outside the US.
- There are three ways to extend the tax-filing deadline until October 15th: paying online while checking the box, using Free File electronically, or mailing Form 4868.
- If requesting an extension by mail, taxpayers must estimate their tax owed by subtracting the taxes already paid for the filing year.



# Key takeaways: Common Errors

- **Misclassifying income:** When income and deductions are incorrectly placed on the 1040 form (such as if Alex reported form 1099-INT as tax-exempt instead of taxable interest).
- **Inaccurate filing status:** This can happen when an individual marked their filing status as one thing when it's another.
- **Schedule not included:** Form 1040 includes multiple schedules, and forgetting to include them can occur if information is not transferred from the schedule to the main form.
- **Information not carried forward:**  
Example: Alex's prior years' unallowed passive activity losses should have been reported on Form 8582 but were not.



## Key takeaways: Common Errors

- **Misuse of Social Security Number:**  
Misuse of an individual's social security number on a Form 1040 can happen when a social security number is used in the same year to file taxes more than once.

Example: If Alex claimed her son as a dependent on her income taxes, and in the same year, he filed his own taxes indicating he wasn't claimed as a dependent on someone else's return.







**CONGRATULATIONS**

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