

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.



Resource: [Form 2210](#)

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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.



Your learning journal

Consider these questions and jot down your thoughts.

- 1. Imagine a client—a freelance graphic designer—comes to you for the first time. They have never dealt with taxes outside of traditional employer withholding. Knowing that individuals generally need to make estimated tax payments if they expect to owe \$1,000 or more, how would you explain the concept of "pay-as-you-go" taxes to them?**
 - 2. What steps would you take to help them avoid penalties for underpayment throughout the year, and how would you frame this service as a key part of managing their business's financial health?**



Your learning journal

Consider these questions and jot down your thoughts.

- 1. There are several common but costly errors, such as misclassifying income, forgetting to attach schedules, or failing to carry forward information from prior years. As a tax expert, you are the final checkpoint to prevent these mistakes. What kind of final review process or personal checklist would you develop to systematically hunt for these specific errors before filing a client's return?**

- 2. How does a meticulous review process protect both the client and your professional reputation?**



CONGRATULATIONS

You have completed
this ebook.