pennsylvania
DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES

UNDERPAYMENT OF ESTIMATED TAX BY FIDUCIARIES

2010

INSTRUCTIONS

PURPOSE & USE: Under Pennsylvania personal income tax law, any fiduciary that reasonably expects the income of the estate or trust the fiduciary administers to exceed $8,000, disregarding income subject to PA withholding, must declare and pay estimated tax.

Use this form to determine if you paid enough estimated tax in each of the four payment periods (Part I). If you did not pay enough tax in any period, then there is an underpayment for that period and a corresponding interest penalty imposed. Use this form to determine if any exceptions to the interest penalty apply (Part II). If an exception does not apply, use the form to calculate the interest due (Part III). This form must be filed even if one of the exceptions applies. A different exception may apply for each period.

NOTE: If you are using this form to calculate penalty on your 2010 return, enclose a copy of this form (including applicable worksheet) with Form PA-41.

IMPORTANT: Estates and residuary trusts are not required to make estimated tax payments for the first two tax years and will not be charged penalty for underpayment of taxes for those years. All other trusts are subject to estimated tax rules and regulations and may be charged penalty accordingly.

WHO MUST PAY INTEREST FOR UNDERPAYMENT OF ESTIMATED TAXES: If you did not pay any estimated tax or did not pay the correct estimated tax by any due date, or if you did not pay the entire 2010 estimated tax in one payment on or before April 15, 2010, you may be charged an interest penalty. This is true even if you are due a refund when you file your PA income tax return. Interest is calculated separately for each period. Therefore, you owe interest for an earlier period, even if you paid enough tax later to make up for the underpayment.

WHEN INTEREST IS APPLIED: In general, you owe interest if there is an underpayment and your timely 2010 payments were not:

- 90 percent of the estimated tax due for the period calculated using the tax shown on your current return as determined using the annualization method; or

- 100 percent of the estimated tax due for the period calculated by multiplying the taxable income shown on Line 9 of your 2009 Form PA-41 by 3.07 percent (0.0307). This provision does not apply if you did not file a return for tax year 2009.

PART I. CALCULATING YOUR UNDERPAYMENT

Line 1a. Insert the tax liability figure from Line 10 of your 2010 PA-41 tax return.

Line 1b. Calculate 90 percent of Line 1a by multiplying Line 1a by 0.90.

Line 2. The credits allowed to reduce the tax due are also used to reduce your tax liability for this calculation. Add Line 12 (Nonresident Tax Withheld from PA Schedule(s) NRK-1), Line 13 (Total Credit for Taxes Paid by PA Resident Estates or Trusts to Other States or Countries), Line 14 (Total Other Credits) from the PA-41 and Line 15 (PA Income Tax Withheld). If Line 2 is more than Line 1b, you do not owe a penalty and do not need to complete this form.

Line 3. Subtract Line 2 from Line 1a. If the amount is $246 or more, complete Lines 4 through 10. If less than $246, you did not owe estimated income tax and do not have to complete this form.

Line 4. Subtract Line 2 from Line 1b. This amount is used to determine if you have an underpayment. If you have an underpayment, the penalty is calculated on this amount.

Line 5. Divide Line 4 by 4 and enter the amount in each of the four columns.

Fiscal year filers. For Column a use the 15th day of the fourth month of the tax year, for Column b use the 15th day of the sixth month of the tax year, for Column c use the 15th day of the ninth month of the tax year and for Column d use the 15th day of the first month following the close of the tax year.

Line 6. Line 6 represents the timely payments credited to your account for each of the four periods. Each column will indicate a total of your estimated payments for the period. To calculate the amounts to be entered on Line 6, use the following steps and insert the total result for each column in the appropriate column. Do not include any credits from Line 2.

In Column a, enter the amount of 2010 estimated tax payment(s) made on or before April 15. Include in your estimated tax payments in Column a any overpayment of tax from your prior year's return that you elected to apply to this year's tax. In Column b, enter the amount of 2010 estimated payments made after April 15 and on or before June 15. In Column c, enter the amount of 2010 estimated payments made after June 15 and on or before Sept. 15. In Column d, enter the amount of 2010 estimated payments you made after Sept. 15 and on or before Jan. 18, 2011.

IMPORTANT: Complete Lines 7 through 10 for one period before you go to the next period.

Line 7. If you have an overpayment on Line 10 for the prior period, enter that amount. This does not apply to the April 15th payment period (Column a).

Line 8. Add Lines 6 and 7 for each of the columns to determine the total payments applied to the period. This figure will be used to determine if you have an underpayment.

Line 9. If Line 5 is greater than Line 8 for any column, calculate the amount of the underpayment for the payment period by subtracting Line 8 from Line 5. If Line 8 is greater than Line 5 for any column, subtract Line 5 from Line 8 and enter it in the appropriate column and on Line 7 of the next payment period. If Line 5 is not greater than Line 8 for any of the Columns a through d, enter zero on Line 9. If all Columns 9a through 9d are zero, stop here. You do not owe the interest penalty. If there are overpayments but not in every period, go to the applicable columns for Lines 14a and 14b and place an X in each column where an overpayment exists.

Line 10. Calculate the amount of the overpayment for the payment period. Enter this amount on Line 7 of the next payment period. If you have an overpayment in the Jan. 18th payment period, do not carry it to any other space on the form.

If Line 9 is zero for all payment periods, you do not owe an interest penalty. If you have an underpayment on Line 9 in any payment period, continue on to Part II, Exception 1 Worksheet.

NOTE: If there are columns with underpayments, you must complete the rest of this form.

PART II. CALCULATING YOUR EXCEPTIONS

Line 11. Enter the result of Exception 1 Worksheet, Line C.

Line 12. Exception 1 applies if your 2010 estimated tax payments and credits equal the tax that would have been due on your 2009 income and if you used the current rate. This provision does not apply if you did not file a return for the prior year.

To calculate, multiply Pennsylvania taxable income from your 2009 return by 3.07 percent (0.0307). Enter 25 percent of this amount in Column a, 50 percent in Column b, 75 percent in Column c and 100 percent in Column d. If the amount on Line 11 is equal to or greater than the amount on Line 12 in any of the columns, you do not owe interest for that payment period and you should place an X in the applicable Line 14a or 14b for that period. If the amount on Line 11 is less than the amount on Line 12 for any payment period, continue on to Exception 2 for those periods.

Line 13. Exception 2 applies if your 2010 estimated tax payments and credits equal at least 90 percent of the tax on your actual

(Instructions continued on back cover.)

REV-1630F (FI) (03-11)

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UNDERPAYMENT OF ESTIMATED TAX BY FIDUCIARIES

2010

Name as shown on PA-41	Employer Identification Number

Street Address

City or Post Office	State	ZIP Code

PART I   CALCULATING YOUR UNDERPAYMENT

1a. 2010 Tax Liability from Line 10 of Form PA-41.	1a.	
1b. Multiply the amount on Line 1a by 0.90.	1b.	
2. Add the amounts reported on Lines 12, 13, 14 and 15 of Form PA-41.	2.	
3. Subtract Line 2 from Line 1a. If result is less than $246, stop here.	3.	
4. Subtract Line 2 from Line 1b.	4.	

ESTIMATED PAYMENT DUE DATES - If due date falls on a weekend or holiday, use the next business day. Fiscal filers see instructions.

		a April 15, 2010	b June 15, 2010	c Sept. 15, 2010	d Jan. 18, 2011
5. Divide amount on Line 4 by the number of payments required for the year (usually four). Enter the result in the appropriate columns.	5.				
6. Estimated tax paid including carryover credit from previous tax year. See instructions.	6.				
7. Overpayment (from Line 10) from a previous period. See instructions.	7.	■■■■			
8. Add Lines 6 and 7.	8.				
9. Underpayment (subtract Line 8 from Line 5). If Columns a through d are all zero, stop here. No penalty is due.	9.				
10. Overpayment (subtract Line 5 from Line 8). If Columns a through d show an overpayment, stop here. No penalty is due.	10.				

PART II   EXCEPTIONS TO INTEREST

You will not have to pay interest on the underpayment if the tax payments you made as shown in Part II, Line 11 were paid on time and the amount shown on Part II, Line 11 is equal to or more than the amount in Part II, Line 12 or Line 13, for the same payment period. This exception does not apply if you did not file a return for the prior year.

EXCEPTION 1 WORKSHEET – Part II, Line 11 Calculation	a April 15, 2010	b June 15, 2010	c Sept. 15, 2010	d Jan. 18, 2011
A. Divide the amount reported in Part I, Line 2 by 4. Enter the amount in each of the four columns.				
B. Enter the estimated payments reported in Part I, Line 6. Enter the payments under the installment period in which they were paid.				
C. Add Lines A and B under each column.				

11. Enter the amounts listed on Exception 1 Worksheet, Line C. For Column a this is the amount from Line C above. For Column b add the amounts of Columns a and b from Line C; for Column c add the amounts from Columns a, b and c; and for Column d add the amounts from Columns a, b, c and d.	11.				
12. **Exception 1** – Tax on 2009 income using 2010 tax rate. See instructions.	12.				

If the amount on Line 11 is equal to or greater than Line 12, you do not owe penalty for that payment period and you should place an X in the applicable box on Line 14a or 14b for that period.

EXCEPTION 2 WORKSHEET – Use this worksheet if your income was earned unevenly through 2010 and your 2010 estimated tax payments, tax withholdings and credits equal at least 90 percent of the tax on your taxable income for the periods.

Part II, Line 13 Calculation		01/01/10 - 02/28/10	01/01/10 - 04/30/10	01/01/10 - 07/31/10	01/01/10 - 11/30/10
A. Enter your actual taxable income for period	A.				
B. Annualized amounts.	B.	6	3	1.71429	1.09091
C. Annualized income. Multiply Line A by Line B.	C.				
D. Multiply Line C by 3.07 percent (0.0307).	D.				
E. For each period, enter the same type of credits as allowed on PA-41, Lines 12, 13 and 14. See instructions.	E.				
F. Subtract Line E from Line D. If zero or less, enter zero.	F.				
G. Applicable percentage.	G.	22.5%	45.0%	67.5%	90.0%
13. **Exception 2** - Tax based on annualized income, Multiply Line F by Line G.	13.				

If the amount on Line 11 is equal to or greater than Line 13, you do not owe penalty for that payment period and you should place an X in the applicable box on Line 14a or 14b for that period.

PART III   CALCULATING INTEREST. COMPLETE LINES 15 THROUGH 16 IF NONE OF THE EXCEPTIONS APPLY. (SEE INSTRUCTIONS AND EXAMPLE AT BOTTOM OF THIS PAGE.) DO NOT USE FEDERAL CALCULATIONS.

14a. Number of days after estimated payment due date to and including date of annual payment or Dec. 31, 2010, whichever is earlier. If Dec. 31 is earlier, enter 260, 199 and 107 respectively.	14a.				
14b. Number of days after estimated payment due date to and including date of annual payment or April 18, 2011, whichever is earlier. If April 18 is earlier, enter 90.	14b.				
14c. Number of days after Dec. 31, 2010 to and including date of annual payment or April 18, 2011, whichever is earlier. If April 18 is earlier, enter 108 in each column.	14c.				
15a. Number of days on Line 14a times 0.000110, times underpayment on Line 9.	15a.	$	$	$	
15b. Number of days on Line 14b times 0.000082, times underpayment on Line 9.	15b.				
15c. Number of days on Line 14c times 0.000082, times underpayment on Line 9.	15c.	$	$	$	

16. Interest. Add amounts on Lines 15a, b and c. Make check payable to PA Department of Revenue. . . . .   16. $

SPECIAL EXCEPTION INFORMATION

Please enter the following information to verify the correct application of the special exceptions rule:

A. Enter your 2009 PA Tax Liability (Line 10 from your 2009 PA-41 tax return), less the amounts from Lines 12, 13 and 14 from your 2009 PA-41 tax return. . . . . _____

If the amount for Line A is $246 or greater, you do not qualify for the special exception. See the instructions for "DETERMINING THE UNDERPAYMENT AMOUNT ON WHICH THE ADDITION OF INTEREST MAY BE ASSESSED" on Page 4 for additional information.

B. Enter the date the estate or residuary trust was established. . . . . _____

EXAMPLE OF INTEREST CALCULATION

		1st Estimated Payment Due Date	2nd Estimated Payment Due Date	3rd Estimated Payment Due Date	4th Estimated Payment Due Date
Underpayment		$473.75	$473.75	$473.75	$473.75
14a. Days late through 12/31/10 (1st, 2nd and 3rd estimated payment due dates)	14a.	260	199	107	
14b. Days late 01/18/11 through 04/18/11 (4th estimated payment due date)	14b.				90
14c. Days late 01/01/11 to 04/18/11 (1st, 2nd and 3rd estimated payment due dates)	14c.	108	108	108	
15a. Days on Line 14a times 0.000110 (2010 daily interest rate), times underpayment of $473.75	15a.	$13.55	$10.37	$5.58	
15b. Days on Line 14b times 0.000082 (2011 daily interest rate), times underpayment of $473.75	15b.				$3.50
15c. Days on Line 14c times 0.000082 (2011 daily interest rate), times underpayment of $473.75	15c.	$4.20	$4.20	$4.20	

16.   Total Lines 15a, 15b and 15c to determine penalty 16. $45.60

taxable income for the periods from: Jan. 1 to Feb. 28; Jan. 1 to April 30; Jan. 1 to July 31; and Jan. 1 to Nov. 30.

On Line A, enter your actual income per period. Multiply Line A by the annualized amount in Line B and enter the result in Line C. Multiply Line C by 3.07 percent (0.0307) and enter the result in Line D. In Line E, enter the credits from Part I, Line 2, you are entitled to because of events that occurred during the months in the column headings. Do not annualize any credit. Subtract Line E from Line D and enter the result in Line F. If zero or less, enter zero. Multiply Line F by the percentage shown in Line G and enter the result in Line 13.

PART III. CALCULATING INTEREST

Use this part of the form to calculate the amount of the interest penalty due. If one of the exceptions applies for any of the periods, place an X in the boxes under the column for that period. You only have to complete Lines 14 and 15 for the periods in which interest is due. The amount of the underpayment is the amount on Line 9 for the appropriate payment period.

Lines 14a, 14b and 14c.

Line 14a. Applies to first, second and third periods for calendar year filers and any fiscal filer payments that were due on or before Dec. 31. If no estimated payments were made during the year, use the number of days after the due date of the estimated payment to and including the date of the annual payment or Dec. 31, whichever is earlier. If Dec. 31 is earlier, enter 260 in Column a, 199 in Column b and 107 in Column c. Fiscal filers adjust according to estimated payment due dates.

Line 14b. If no estimated payment was made for the fourth period, use the number of days after the estimated payment due date to and including date of annual payment or April 18, 2011, whichever is earlier. If April 18 is earlier, enter 90 in Column d. Fiscal year filers adjust according to due date of annual return.

Line 14c. Applies to first, second and third periods for calendar year filers and any fiscal filer payments that were due after Dec. 31. If no estimated payments were made, use the number of days after Dec. 31, 2010 to and including date of annual payment or April 18, 2011, whichever is earlier. If April 18 is earlier, enter 108 in each column. Fiscal year filers adjust according to due date of annual return.

If a taxpayer fully pays an underpayment after a required due date but prior to or on the next due date, then the number of days after the due date of the estimated payment in Lines 14a, 14b or 14c must be adjusted. To make the adjustment, count the days from the due date to the date of payment.

If the taxpayer partially pays an underpayment after a required due date but prior to or on the next due date, that partial payment is considered a reduction, on the payment date, to the oldest period's underpayment. For such situation, the taxpayer will need to adjust this part accordingly.

EXAMPLE OF WHEN ESTIMATED UNDERPAYMENT APPLIES:

Tax liability for current tax year	$3,599
Less current tax year's withholding and credits	1,344
	$2,255

Current withholding and credits must be less than the smaller of the following to be penalized for estimated underpayment:

- $3,239 (90 percent of the tax liability on the current return); or
- $3,502 (PA taxable income on prior year's return multiplied by the current year's tax rate).

In this case, $1,344 is less than both safe harbors.

Since the current PA tax liability minus current withholding and credits is at least $246 and since the current year withholding and allowable credits are less than $3,239, the taxpayer should fill out Form REV-1630F to determine if there is an underpayment of estimated tax.

DETERMINING IF THERE IS AN UNDERPAYMENT AND HOW THE DEPARTMENT DETERMINES THE DECLARATION

A taxpayer makes an underpayment of quarterly estimated tax liability whenever he fails to declare or pay all or any part of the amount declared as the quarterly estimated payment.

DETERMINING THE UNDERPAYMENT AMOUNT UPON WHICH THE ADDITION OF INTEREST MAY BE ASSESSED

The amount to be considered is that the taxpayer should have paid in estimated taxes if the taxpayer could have used the PA Tax Liability as shown on Line 10 of the PA-41 return.

The underpayment amount is the difference between the tax liability times 90 percent, minus any credits for the applicable period (calculated by dividing 90 percent of Line 10 of Form PA-41 minus any withholding and credits, by the number of estimated payment periods) and the estimated payments paid on time for that period.

IMPORTANT: The amounts calculated in each of the columns on Lines 12 and 13 for Exceptions 1 and 2 (respectively) cannot be used to determine the underpayment penalty. You must use Line 9 in this calculation. However, if you had no estimated tax payment requirements for a previous tax year because the tax liability was below the threshold required for estimated tax payments to be made, special exceptions apply and you may not owe penalties for the periods prior to the meeting the estimated payment requirements.

Special exceptions only apply if a taxpayer files an original or amended PA-40ESR(F/C), Declaration of Estimated or Estimated Withholding Income Tax for Fiduciary and Partnerships, and makes the full estimated tax payment due in the first period in which it is determined the estimated payment requirements have been met for a year following a year in which no estimated payments were due or required to be made.

If the PA-40ESR(F/C) is not filed in the correct period or if the full estimated tax payment is not made in that period, the special exception does not apply for any periods, and the estimated underpayment penalty will apply for all periods in which the estimated tax underpayment exists.

In situations where conditions exist for the exception to apply, complete the Exception 2 worksheet to indicate the periods in which the income (Line A) was earned and the tax liability (Line B) for those periods. Place an X in the applicable box on Line 14a to indicate that you do not owe a penalty for each period the special exception applies. You must also complete the "SPECIAL EXCEPTION INFORMATION"- section in PART III by entering the information requested for Line A.

In addition, if the fiduciary entity is an estate or a residuary trust from an estate, enter the date the entity was established. An estate would typically enter the date of death of the taxpayer establishing the estate. A residuary trust enters the date the assets of an estate are transferred to the custody of the trust.

BILLING THE ADDITION OF INTEREST

The interest to be added to the taxpayer's tax liability for an underpayment is to be billed per period. The interest to be added is based upon the amount of the underpayment per period.

Interest is assessed upon the underpayment amount until the taxpayer has made payments for the applicable period that equal the amount of the declared quarterly estimated payment liability. However, interest may not be imposed beyond the 15th day of the fourth month of the close of the taxpayer's taxable year (typically April 15th) for any period.

If a taxpayer makes a late payment for a period in which an underpayment exists and his total payments for that period are less than the amount of the declared estimated tax liability or the required estimated amount, interest is billed upon the underpayment amount. However, as soon as a taxpayer makes a late payment for a period in which an underpayment exists, the underpayment is reduced by the late payment amount even if the total payment amount is less than the amount of the taxpayer's declared estimated tax liability.

When the taxpayer has made payments for the underpayment period equal to his declared quarterly estimated tax liability, the department does not impose interest for that period.