

2009 Underpayment of Estimated Income Tax

For Individuals (Form M1), Trusts (Form M2) and Partnerships (Form M3)

Your first name and initial

Last name

Social Security number

Required annual payment

Required annual payment

- 1** Minnesota income tax for **2009** (from line 22 of Form M1; line 13 of Form M2; or partnerships, see instructions) **1** _____
- 2** Minnesota withholding and credits for **2009** (add lines 25 and 27–32 of Form M1; add lines 14b, 14c and 14d of Form M2; or partnerships, see instructions) **2** _____
- 3** Subtract line 2 from line 1. If less than \$500, stop here; you do not owe an underpayment penalty **3** _____
- 4** Multiply line 1 by 90% (.90). **Farmers and commercial fishermen:** Multiply line 1 by 66.7% (.667) . **4** _____
- 5** Minnesota income tax for **2008** (from line 23 of Form M1; line 13 of Form M2). See instructions if you are a partnership, if your **2008** federal adjusted gross income (individuals) or Minnesota assignable adjusted gross income (trusts) was more than \$150,000 or if you did not file a 2008 return **5** _____
- 6** Required annual payment. Amount from line 4 or line 5, whichever is less **6** _____
 - If line 6 is less than or equal to line 2, stop here; you do not owe an underpayment penalty.
 - If line 6 is more than line 2, continue with line 7 or line 13, depending on which method you use.

Determine penalty using the short method

Optional short method (see instructions to determine which method to use)

- 7** Estimated tax payments you made for 2009 **7** _____
- 8** Add line 2 and line 7 **8** _____
- 9** Total underpayment for the year. Subtract line 8 from line 6 (if result is zero or less, stop here; you do not owe an underpayment penalty) **9** _____
- 10** Multiply line 9 by 3.3% (.033) **10** _____
- 11** • If the amount on line 9 will be paid on or after April 15, 2010, enter 0.
• If the amount was paid before April 15, 2010, use the following computation and enter the result on line 11:

amount on line 9	X	number of days paid before 4/15/10	X	.00014 11 _____
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- 12** **Penalty.** Subtract line 11 from line 10. Enter result here and on line 37 of Form M1, line 18 of Form M2, or line 15 of Form M3 **12** _____

Determine penalty using the regular method

	A	B	C	D
	April 15, 2009	June 15, 2009	Sept. 15, 2009	Jan. 15, 2010
13 Enter 25% (.25) of line 6 in each column OR use the amounts from the annualized income installment worksheet on the back of this form. If you use the worksheet or are a farmer or fisherman, see instructions 13 _____	_____	_____	_____	_____
14 Credits. See instructions 14 _____	_____	_____	_____	_____
15 Overpayment. If line 14 is more than line 13, subtract line 13 from line 14. Enter the result here and add it to line 14 in the next column. Overpayments in any quarter following an underpayment must first be applied to making up previous underpayments 15 _____	_____	_____	_____	_____
16 Underpayment. If line 14 is less than line 13, subtract line 14 from line 13. Enter the result here and go to line 17 below 16 _____	_____	_____	_____	_____
17 Enter the date of payment or April 15, 2010, whichever is earlier (see instructions) 17 _____	_____	_____	_____	_____
18 Number of days between the payment due date and the date on line 17 18 _____	_____	_____	_____	_____
19 Divide line 18 by 365. The result is a decimal 19 _____
20 Multiply line 19 by 5% (.05). Enter as a decimal . . . 20 _____
21 Multiply line 20 by line 16 21 _____	_____	_____	_____	_____
22 Penalty. Add columns A-D on line 21. Enter result here and on line 37 of Form M1, line 18 of Form M2 or line 15 of Form M3 22 _____	_____	_____	_____	_____

Worksheet - Annualized Income Installment

	1/1/09–3/31/09	1/1/09–5/31/09	1/1/09–8/31/09	1/1/09–12/31/09
Step 1 Amount from line 11 of federal Schedule AI of Form 2210.				
Step 2 Minnesota additions (see instructions below)				
Step 3 Add step 1 and step 2				
Step 4 Minnesota subtractions (see instructions below)				
Step 5 Subtract step 4 from step 3				
Step 6 Figure the tax for the amount shown in step 5. Deduct appropriate nonrefundable credits. Include annualized Minnesota alternative minimum tax.				
Step 7 Percentage for each period	22.5%	45%	67.5%	90%
Step 8 Multiply step 6 by step 7				
Complete Steps 9–15 of one column before going to the next column				
Step 9 Add the amounts from step 15 from all preceding payment periods.				
Step 10 Subtract step 9 from step 8 (if result is zero or less, enter 0)				
Step 11 Enter 25% (.25) of line 6 of Schedule M15 in each column				
Step 12 Enter step 14 of the preceding column.				
Step 13 Add step 11 and step 12				
Step 14 Subtract step 10 from step 13 (if result is zero or less, enter 0)				
Step 15 Amount from step 10 or step 13, whichever is less. Also enter this amount on line 13 of Schedule M15.				

Instructions for above worksheet

Trusts: Do not use the period ending dates shown in the columns above. Instead, use the following: 2/28/09, 4/30/09, 7/31/09, 11/30/09.

Step 2

Using the amounts from lines 2 and 3 of Form M1, determine your Minnesota additions for each quarter. If you have state income tax or sales tax deductions included in the federal annualized income in step 1, you must add that amount to the annualized interest income from non-Minnesota state and municipal bonds and show the total in step 2.

Step 4

Using the amounts from lines 5 through 8 of Form M1, determine your Minnesota subtractions for each quarter. If you have net interest from U.S. obligations and/or any state income tax refund included in the federal annualized income in step 1, you may add these amounts to any K–12 education expense subtraction as explained on page 10 of the M1 instruction booklet. Enter the total amounts in step 4.

Step 6 — Minnesota alternative minimum tax

If the Minnesota alternative minimum tax applies, determine the amount of Minnesota alternative taxable income for each quarter. Multiply that amount by the appropriate multiplier shown on line 2 of the federal Schedule AI of Form 2210. From the resulting annualized alternative minimum taxable income, subtract the appropriate minimum amounts depending on the filing status (\$66,490 for married filing joint, \$33,240 for married filing separately, or \$49,860 for single or head of household) and multiply the difference by 6.4 percent (.064). If the result is more than the regular tax shown on step 6, replace the regular tax with the Minnesota alternative minimum tax. See Schedule M1MT for instructions on figuring the Minnesota alternative taxable income.

2009 Schedule M15 instructions

Underpayment of Estimated Income Tax for Individuals (Form M1), Trusts (Form M2) and Partnerships (Form M3)

Who must file

If you are an individual, a trust or partnership, use this schedule to determine if you owe a penalty for underpaying estimated tax.

Individuals. You may owe an underpayment penalty if you received income in 2009 on which \$500 or more of Minnesota income tax is due after you subtract:

- the Minnesota income tax that was withheld from your income, and
- the total you claim for the 2009 Minnesota child and dependent care, working family, K-12 education, lower income motor fuels tax, bovine tuberculosis testing and Job Opportunity Building Zone (JOBZ) jobs credits.

You do not have to pay an underpayment penalty if all of the following apply:

- you did not have a Minnesota tax liability on line 23 of your 2008 Form M1,
- you were a Minnesota resident for all of 2008, and
- your 2008 return covered a 12-month period.

Nonresidents and part-year residents.

Determine your required annual payment based on your Minnesota assignable adjusted gross income.

Farmers and commercial fishermen. If you filed Form M1 and paid your entire income tax by March 1, 2010, or paid two-thirds of your income tax by January 15, 2010, you do not have to complete this schedule.

You are considered a farmer or commercial fisherman if two-thirds of your annual gross income is earned by farming or commercial fishing.

Trusts. You may owe an underpayment penalty for 2009 if:

- the amount on line 13 of your 2009 Form M2, less lines 14b, 14c and 14d of your 2009 Form M2 is \$500 or more, or
- you did not pay the required amount of estimated tax by the due dates.

Partnerships. You may owe an underpayment penalty for 2009 if:

- the sum of line 1 (minimum fee) and line 3 (nonresident withholding) of your 2009 Form M3, less any credits from lines 5, 7, 8 and 9 of Form M3, is \$500 or more,
- any nonresident partner's share of the composite income tax is \$500 or more, or

- you did not pay the required amount of estimated tax by the due dates.

Use a separate Schedule M15 to determine the penalty for underpaying estimated tax on your minimum fee/nonresident withholding and for each nonresident individual partner electing to file composite income tax.

Corporations. A corporation or an S corporation must use Schedule EST, *Additional Charge for Underpayment of Estimated Tax by Corporations*, to determine the penalty for underpaying estimated franchise tax or S corporation taxes.

Exceptions to the penalty

If the Internal Revenue Service (IRS) does not require you to pay additional charges for underestimating your federal tax because you are newly retired or disabled, or because of a casualty, disaster or other unusual circumstances, do not complete Schedule M15. Include a copy of your federal request with your Form M1.

Avoiding the penalty

Individuals, trusts and partnerships. To avoid an underpayment penalty of estimated tax, you must have had withholding or made the required, timely estimated tax payments and paid the lesser of:

- 90 percent of your current year's original tax liability (66.7 percent if you are a farmer or commercial fisherman), or
- 100 percent of your prior year's total tax liability—unless your federal adjusted gross income on your 2008 Form M1 or Minnesota assignable gross income on your 2008 Form M2 is more than \$150,000, then you must use 110 percent of your previous year's tax liability instead of 100 percent.

Nonresidents and part-year residents must have had at least \$1 of Minnesota tax liability to use 100 percent of the prior year's tax.

Fiscal year taxpayers

If you file your Minnesota return on a fiscal year basis, change the payment due dates to the 15th day of the fourth, sixth and ninth months of your fiscal year, and the first month of your next fiscal year.

Line instructions

These instructions refer to your original return. However, an amended return is considered the original return if it is filed by the due

date of the original return. Also, a joint Form M1 that replaces previously filed separate returns is considered the original return.

Line 1

Partnerships: If you are determining the penalty for underpaying estimated tax on:

- the minimum fee/nonresident withholding, add lines 1 and 3 of your 2009 Form M3, and enter the result on line 1 of Schedule M15.
- a nonresident individual partner electing to file composite income tax, enter the amount from line 33 of the partner's Schedule KPI.

Line 2

Partnerships: If you are determining the penalty for underpaying estimated tax on:

- the minimum fee/nonresident withholding, add lines 5, 7, 8 and 9 of your 2009 Form M3. Enter the total on line 2 of Schedule M15.
- a nonresident individual partner electing to file composite income tax, add lines 11, 12 and 13 of the partner's 2009 Schedule KPI and enter the total on line 2 of Schedule M15.

Line 5

If you did not file a 2008 return, skip line 5 and enter the amount from line 4 on line 6.

Individuals: Enter the amount from line 23 of your 2008 Form M1, unless your 2008 federal adjusted gross income (from line 37 of federal Form 1040 or line 21 of Form 1040A) was more than \$150,000. Nonresidents and part-year residents use Minnesota assignable adjusted gross income.

If your 2008 federal adjusted gross income was more than \$150,000, multiply line 23 of your 2008 Form M1 by 110 percent (1.10). Enter the result on line 5 of Schedule M15.

Trusts. Enter the amount from line 13 of your 2008 Form M2, unless your 2008 Minnesota assignable adjusted gross income was more than \$150,000. If the trust had more than \$150,000 of Minnesota assignable adjusted gross income, multiply line 13 of the 2008 Form M2 by 110 percent (1.10) and enter the result on line 5 of Schedule M15.

Partnerships: If you are determining the penalty for underpaying estimated tax on:

- the minimum fee/nonresident withholding, add lines 1 and 3 of your 2008

Continued

Form M3 and enter the result on line 5 of Schedule M15.

- a nonresident individual partner electing to file composite income tax, enter the partner's share included on line 2 of your 2008 Form M3.

Optional short method or regular method

You may use the optional short method **only** if:

- you did not make any estimated tax payments (or your only payments were from Minnesota income tax withheld from your wages), **OR**
- you paid your 2009 estimated tax in four equal amounts on or before the due date of each installment.

Note: If any payment was made *before* the installment due date, it is best to use the regular method. Using the short method will cause you to pay a larger penalty than the regular method. If the payment was only a few days early, the difference is likely to be small.

Continue with line 7 to use the optional short method.

If you are not eligible or if you choose not to use the optional short method, you must use the regular method to determine your underpayment penalty. Skip lines 7–12 and continue with line 13.

Optional short method

Line 7

Enter the total amount of 2009 estimated tax payments you made in 2009 and 2010. Do not include any other amounts on line 7.

Line 12

Subtract line 11 from line 10. This is the amount of your underpayment of estimated tax penalty.

Individuals: Enter this amount on line 37 of your 2009 Form M1.

If you owe an amount on line 36 of Form M1, add the penalty on line 12 of this schedule to the amount owed and replace line 36 of Form M1 with the total.

If you have a refund on line 34 of Form M1, subtract the penalty on line 12 of this schedule from your refund and replace line 34 of Form M1 with the result.

Trusts. Enter the underpayment penalty on line 18 of Form M2.

Partnerships. Enter the underpayment penalty on line 15 of Form M3.

Regular method

Complete column A, lines 13–16. Then, depending on whether you have an underpay-

ment or an overpayment, either continue with line 17 of column A (underpayment) or line 13 of column B (overpayment).

Line 13

Enter 25 percent (.25) of line 6 in each of the four columns on line 13, unless one of the two following conditions applies to you:

- 1 Your taxable income was higher at some times during the year and lower at others.

You may benefit by figuring your installments using the annualized income installment method. For example, if you received income from which no tax was withheld in April or later, complete the worksheet on the back of Schedule M15.

The annualized income installment worksheet automatically selects the smaller of the annualized income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring earlier installments).

If you use this method for one payment due date, you must use it for all. Follow the worksheet instructions on the back of Schedule M15.

- 2 You are a farmer or commercial fisherman and you did not pay your entire income tax by March 1, 2010, or you did not pay two-thirds of your income tax when you paid your estimated tax by January 15, 2010.

Enter the full amount of line 6 under column D of line 13 and omit columns A, B and C of line 13.

Line 14

Individuals. For each payment period, enter the total amount of:

- estimated payments you paid for each payment period,
- Minnesota income tax withheld in 2009,
- your 2008 income tax refund, if you elected on your 2008 Minnesota return to apply all or a portion of your refund to your 2009 estimated tax, and
- any refundable credits you claim for 2009.

You are considered to have paid any Minnesota income tax withheld or received any refundable credits (child and dependent care, working family, K–12 education, lower income motor fuels tax, bovine tuberculosis testing or JOBZ credits) evenly over the period you worked during the year unless you show otherwise. If you worked all year, divide the total amount of withholding and credits by 4, and enter the result in each column. Your 2008 refund, if any, is considered a credit to your first payment period.

If you filed your 2009 Minnesota return and paid the tax you owed on or before January 31, 2010, you may consider the tax paid as of January 15, 2010.

Trusts. Enter the total amount of prepaid taxes from line 14 of your 2009 Form M2.

Partnerships. Enter the amount of prepaid taxes from line 11 of your 2009 Form M3.

Lines 15 and 16

Compare line 13 of each column to line 14 of the same column.

If line 14 is more than line 13, you have an overpayment for the payment period. Subtract line 13 from line 14 and enter the result on line 15.

Add line 15 to the credit on line 14 of the next column. Overpayments in any quarter following an underpayment must first be applied to making up previous underpayments.

If line 14 is less than line 13, you have an underpayment for that payment period. Subtract line 14 from line 13 and enter the result on line 16. Continue with line 17.

Line 17

If you have an underpayment in all four quarters, in each column enter the date you filed your return or April 15, 2010, whichever is earlier.

Otherwise, enter the date when the underpayment on line 16 was paid in full.

Example: You made your first quarter estimated tax payment on April 20, but you show an underpayment on line 16. On June 14, you paid your second quarter payment in full and included the underpayment from the first quarter. On line 17, you would enter June 14 in the first and second quarter columns.

Line 22

Add the amounts on line 21, columns A–D and enter the result on line 22. This is the amount of your underpayment of estimated tax penalty.

Individuals. Enter this amount on line 37 of your 2009 Form M1.

If you owe an amount on line 36 of Form M1, add the penalty on line 22 of this schedule to the amount owed and replace line 36 of Form M1 with the total.

If you have a refund on line 34 of Form M1, subtract the penalty on line 22 of this schedule from your refund and replace line 34 of Form M1 with the result.

Trusts. Enter your underpayment penalty on line 18 of Form M2.

Partnerships. Enter your underpayment penalty on line 15 of Form M3.