



GMS Flash Alert

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United States – Relief from Penalty for Underpayment of Estimated Income Tax

On January 16, 2019, the U.S. Internal Revenue Service (IRS) published [Notice 2019-11](#), which provides a waiver of the estimated tax penalty for certain individuals who were otherwise required to make tax year 2018 estimated income tax payments on or before January 15, 2019.

WHY THIS MATTERS

The U.S. tax law enacted on December 22, 2017, commonly referred to as the “Tax Cuts and Jobs Act,” made significant changes to tax rates and the way taxable income is calculated. Although the IRS released an updated “withholding calculator” and a new version of Form W-4 to help individual taxpayers determine the appropriate amount of withholding for the 2018 tax year, many assignees may not have been able to accurately calculate their 2018 federal income tax withholding and required estimated tax payments. This relief lessens the likelihood that those assignees will owe an underpayment penalty when they file their 2018 tax returns.

Background

Normally, taxpayers are required to pay federal income taxes as they earn income, through withholding or estimated tax payments. Generally, a taxpayer will be subject to a penalty if the taxpayer fails to pay the lesser of the following amounts during the tax year:

- 90 percent of the tax shown on the taxpayer’s return for the tax year, or
- 100 percent of the tax shown on the taxpayer’s return for the previous tax year (110 percent if the individual’s adjusted gross income on the previous year’s return exceeds \$150,000) if the previous tax year was a full 12 months long.

Notice 2019-11

Notice 2019-11 waives the penalty for failure to make estimated income tax payments for the 2018 tax year, otherwise required to be made on or before January 15, 2019, for any individual whose total withholding and estimated tax payments made on or before January 15, 2019, equal or exceed 85 percent of the tax shown on that individual's return for the 2018 tax year. To request the estimated tax penalty waiver, individuals must file [Form 2210](#), *Underpayment of Estimated Tax by Individuals, Estates, and Trusts*, with their 2018 income tax returns.

Procedures for Invoking Waiver

The form can be filed with a return that is either filed electronically or on paper. Taxpayers are directed to complete Part I of Form 2210 and the worksheet included in the form instructions to determine if the waiver applies. If the waiver applies, taxpayers are then directed to check the waiver box (Part II, Box A) and include a statement "85% Waiver" with the return. This waiver is in addition to any other exception that section 6654 provides to the underpayment of estimated income tax.

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The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

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