

BEST TAX PRACTICE -

Estimated “Quarterly” Payments – When To Make

Generally speaking, Estimated payments (frequently referred to as “Quarterly” payments) are to be filed within 15 days from the date the quarter ended.

- Not all quarters are 3-months in length but there are 4 periods in a year and therefore the periods are referred to as *quarters* – because there are four.

Different taxing authorities may have different periods for what is a quarter but - for Individuals - the IRS uses

- Quarter 1 (Q1) - January 1 – March 31 (a 3-month quarter)
- Quarter 2 (Q2) - April 1 to May 31 (a 2-month quarter)
- Quarter 3 (Q3) - June 1 to August 31 (a 3-month quarter)
- Quarter 4 (Q4) - September 1 to December 31 (a 4-month quarter)

The window - to file a “timely” quarterly payment - are the 15 calendar days immediately following the close of a quarter (NOTE: Calendar days, *not business days*)

- Payment filing window for Q1 - April 1-15
- Payment filing window for Q2 - June 1-15
- Payment filing window for Q3 - September 1-15
- Payment filing window for Q4 - January 1-15 (of the New Year)

If the 15th falls on a weekend or a holiday, the filing deadline is the next regular business day.

- The taxing authorities will assign the quarterly payment to the period based on the date the **filing is made**
 - ***NOT*** necessarily for the period the taxpayer intends, indicates, or payment voucher used
- For quarterly payments filed outside of a filing window, the taxing authority will consider the payment filing to be **late for the quarter that most recently closed**
 - ***EVEN IF*** the filing is marked otherwise or a payment voucher is used for a different quarter

Example: One cannot make a Q1 or Q2 filing on November 20th; a November 20th filing can only be a late Q3 filing.

Late filings are subject to penalty and interest.

If a quarterly payment is filed late (or not at all) and it is later determined by the taxing authority that a quarterly payment was *required to have been filed*, the taxing authority can issue a “*non-filing*” penalty – ***EVEN IF*** the quarterly payment was filed late.

- A “*non-filing*” penalty is as much about filing something **late** as it is about NOT filing at all.
- Likewise, a payment that is made but is less than the amount it should be, could be subject to an “*under-payment*” penalty (an “*under-payment*” penalty is different from and less than a “*non-filing*” penalty).

Frequently, penalties also come with a calculated interest - “*penalties and interest.*”

The quarter must be closed before a payment for that quarter can be filed. Payments cannot be filed for a quarter that has **not yet** closed. Example: Filing on December 20th **cannot** be an **early Q4** payment; a December 20th filing can only be a late Q3 filing.

Bottom Line: One can always file a quarterly (estimated) payment – **anytime**. However the filing will be defined as the taxing authority calendar dictates and can be subject to penalties and fines if made outside of the prescribed windows.