

Enclose with Ohio form IT 4708.

Name of pass-through entity	Federal Employer I.D. Number (FEIN)
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Use this form to calculate interest penalty on underpayment of pass-through entity taxes and to show the exceptions where no interest penalty is due.

Check here if you engage in farming or fishing activities, and see the note on page 3.

Do you owe interest penalty?

1. Year 2006 pass-through entity tax (from line 12 of the year 2006 form IT 4708).....1. _____
2. Year 2006 withholding taxes (withheld by other pass-through entities), refundable credits and the previous year's overpayment credit carryover to this year (do not include estimated tax payments on this line).....2. _____
3. Line 1 minus the amount on line 2 (if less than zero, enter -0-).....3. _____
Is line 3 less than or equal to \$500? Yes No
If the answer is "yes," STOP; you have no interest penalty. If the answer is "no," continue.
4. Multiply line 1 by 90% (.90).....4. _____
Is line 2 greater than or equal to the amount on line 4? Yes No
If the answer is "yes," STOP; you have no interest penalty. If the answer is "no," continue.
5. Year 2005 pass-through entity tax after all nonrefundable credits (from line 12 of the year 2005 form IT 4708).....5. _____
Is line 2 greater than or equal to the amount on line 5? Yes No
If the answer is "yes," STOP; you have no interest penalty. If the answer is "no," continue.
6. Required annual estimated pass-through entity tax payment. Enter the smaller of line 4 or line 5 ...6. _____

Short method

You may use the short method only if you paid no estimated tax payments or if you paid estimated tax in equal amounts on the due dates and you claim any overpayment credit carryover amount in equal amounts on the due dates.

Note: You may use the short method even if the payments were earlier than the due date; however, the interest penalty may be lower if you use the long method.

7. Estimated pass-through entity tax payments made7. _____
- 7A. Enter amount from line 2..... 7A. _____
8. Add line 7 and line 7A8. _____
9. Subtract line 8 from line 69. _____
10. Multiply line 9 by .045151. Enter the result here and on form IT 4708, line 13..... 10. _____

Long method

11. Multiply the amount on line 6 by the percentage indicated in each column. However, if the pass-through entity chooses to annualize income, check the box and enclose detailed calculations. See instructions..... 11. _____
12. Multiply the sum of tax withheld by other pass-through entities and refundable credits by the percentage shown at the top of each column (see instructions)12. _____
13. Cumulative estimated tax paid by the date shown at the top of each column.....13. _____
14. Overpayment credit carryover from year 2005 form IT 4708. Enter this amount in all four columns.....14. _____
15. Add lines 12, 13, and 1415. _____
16. Underpayment subject to interest penalty (line 11 minus line 15). If line 15 is greater than line 11, enter -0-16. _____
17. Ratio (if payment was made late, see line instructions).....17. _____
18. Multiply the ratio on line 17 by the respective underpayment on line 16 (if partial payment was made late, see line instructions).....18. _____
19. Total interest penalty due. Add line 18 columns (a) through (d). Enter here and on the year 2006 form IT 4708, line 1319. _____

Payment Due Dates and Percentage Rates			
a	b	c	d
4/17/06 - 25%	6/15/06 - 50%	9/15/06 - 75%	1/16/07 - 100%
.009699	.015123	.020877	.019507

IT 2210-4708 Line Instructions

Line 5 If your 2005 return reflected a period of less than 12 months, do not complete this line; instead, enter the amount from line 4 on line 6.

Line 11 Multiply the amount on line 6 by the percentage indicated at the top of columns (a), (b), (c) and (d). However, if your income varied during the year (e.g., you operated a business of a seasonal nature), you may be able to lower the amount of your required payment for the due dates by using the annualized income installment method. If you use this method for any payment due date, you must use it for all payment due dates. Please enclose detailed calculations.

Line 12 Often, pass-through entities (hereafter referred to as the "investor pass-through entity") are equity investors in other pass-through entities (hereafter referred to as the "investee pass-through entity"). The investee pass-through entity may file Ohio form IT 1140 to pay tax (hereafter referred to as "withholding tax") on behalf of the investor pass-through entity with respect to the investee pass-through entity's taxable year ending within or with the last day of the investor pass-through entity's taxable year.

Unless the investor pass-through entity shows otherwise, the investor pass-through entity is considered to have had paid on each payment due date one-fourth of the total amount actually withheld (by the investee pass-through entity) for the investor pass-through entity. For example, if the investor pass-through entity's total Ohio pass-through entity tax withheld (by the investee pass-through entity) for the year is \$1,000, the investor pass-through entity is considered to have paid \$250 for each investor pass-through entity payment due date. On a cumulative basis, the amount so paid (and reported on line 12) is \$250, \$500, \$750 and \$1,000.

Line 17 The listed ratios are based upon the statutory interest rate (6% for 2006 and 8% for 2007) and the time during which the estimated payment was late. The general formula for computing the ratio is: ratio = interest rate x numbers of days the payment is late/365.* The listed ratios are computed from the payment due date at the top of each column to the following payment due date and apply **only if** the taxpayer either (1) never made the estimated payment or (2) made full payment on or after the following payment due date.

For example, the ratio in column (a) is computed by multiplying the interest rate (6%) times the number of days from the 4/17/06 estimated payment due

date to the 6/15/06 estimated payment due date (59 days) and dividing by 365.

$$\text{Ratio} = \text{interest rate} \times \text{number of days late}/365^*$$

$$\text{Ratio} = .06 \times 59/365 = .009699$$

Example 1 – Assume that the underpayment shown on line 16 for the 4/17/06 due date is \$1,000. Also assume that the taxpayer made no estimated payment during the period 4/17/06 through 6/15/06. The taxpayer will compute interest penalty for the period 4/18/06 through 6/15/06 by multiplying the underpayment shown on line 16, column (a) by the ratio .009699 shown on line 17, column (a):

$$\text{Interest penalty} = \$1,000 \times .009699 = \$9.70$$

However, if the taxpayer made **full** payment of the required estimated payment after the 4/17/06 due date but before the 6/15/06 payment due date, then the taxpayer should ignore the ratio shown on line 17 and recompute the ratio based upon the general formula. See Example 2.

Example 2 – Assume that the underpayment shown on line 16 for the 4/17/06 due date is \$1,000. Also assume that the taxpayer paid this full amount on 5/15/06 (which is after the 4/17/06 payment due date but before the next payment due date, 6/15/06). Compute the ratio as follows:

Step 1. Determine the number of days from the date the payment was due (4/17/06) to the date the payment was paid (5/15/06) = 28 days.

Step 2. Calculate the ratio using the following formula:

$$\text{Ratio} = \text{interest rate} \times \text{number of days late}/365^*$$

$$\text{Ratio} = .06 \times 28/365 = .00460$$

The taxpayer should enter the recomputed ratio, .004600, on an enclosed sheet of paper and then compute interest penalty for the period 4/18/06 through 5/15/06 by multiplying the underpayment by the recomputed ratio. This method applies **only** if the taxpayer actually made **full** payment of the required estimated payment after the due date but before the next payment due date. If the taxpayer made a partial payment after the due date, see Example 3, below.

Line 18 Multiply the ratio on line 17 by the respective underpayment on line 16. However, if a **partial payment** is made after the payment due date but before the next payment due date, ignore the ratio on line 17 and use the following formula to compute the interest penalty on the underpayment for the

*For leap years use 366 days instead of 365 days.

period before **and** the period after the date of the partial payment.

Interest penalty = underpayment x interest rate x number of days late/365*

Example 3 – Assume that the underpayment shown on line 16 for 4/17/06 is \$1,000 and that the taxpayer paid \$600 of this amount on 5/15/06 (which is after the 4/17/06 payment due date but before the next payment due date of 6/15/06). Compute the interest penalty for column (a) on line 18 as follows:

Step 1. Determine the number of days from the 4/17/06 payment due date to the 5/15/06 date of the partial payment: 4/17/06 to 5/15/06 = 28 days.

Step 2. Calculate the interest penalty on the \$1,000 underpayment for the 28-day period from 4/17/06 to the 5/15/06 partial payment date using the following formula:

$$\text{Interest penalty} = \text{underpayment} \times \frac{\text{interest rate}}{365^*} \times \text{number of days late}$$

$$\text{Interest penalty} = \$1,000 \times .06 \times 28/365 = \$4.60$$

Step 3. Determine the number of days from the 5/15/06 payment date to the next required due date of 6/15/06: 5/15/06 to 6/15/06 = 31 days.

Step 4. Calculate the interest penalty on the \$400 (\$1,000-\$600) underpayment for the 31-day period from 5/15/06 to 6/15/06 using the following formula:

$$\text{Interest penalty} = \$400 \times .06 \times 31/365 = \$2.04$$

Step 5. Add the amounts determined in Steps 2 and 4 (\$4.60 + \$2.04 = \$6.64). This is the total interest penalty for the period 4/17/06 to 6/15/06. Enter this amount on line 18, column A.

Note: Special rule for farmers and fishermen

Ohio Administrative Code (Rule) 5703-7-04 provides two options for each taxpayer whose total gross income is at least two-thirds from farming and fishing, as those terms are defined under U.S. Treasury regulation sections 1.6073-1(b) (2) and (3). Such taxpayers may choose either of the following two options in lieu of making the four estimated income tax payments:

- Option #1 – Make no payments of estimated tax but file the yearly income tax return and pay all tax due by the first day of the third month following the close of the taxpayer’s taxable year (for calendar year taxpayers, this date would be March 1 of the year immediately following the taxable year). If this date falls on a Saturday, Sunday or holiday, then the payment of tax and the filing of the income tax return are due on the first business day immediately following the first day of the third month following the close of the taxable year.
- Option #2 – Pay all estimated tax (90% of the current taxable year’s tax or 100% of the immediately preceding taxable year’s tax) by the 15th day of the first month following the close of the taxpayer’s taxable year (for calendar year taxpayers, this date would be Jan. 15 of the calendar year immediately following the taxable year), and file the annual individual income tax return on or before the 15th day of the fourth month following the close of the taxpayer’s taxable year (for calendar year taxpayers, this date would be April 15 of the year immediately following the taxable year). If any such date falls on a Saturday, Sunday or holiday, then the due date becomes the first business day immediately following such due date.

Under this second option the taxpayer has the election to extend the filing of the Ohio income tax return if the taxpayer has received from the Internal Revenue Service an extension of time to file the U. S. income tax return. Note that there is no extension of time to pay the tax due. See Ohio Administrative Code (Rule) 5703-7-05, which addresses the imposition of penalties and interest (and safe harbors to avoid penalties) for taxpayers who fail to pay in all tax due by the unextended due date.

If you qualify for and choose option number 1, then enter -0- on line 19 on page 1 of Ohio form IT 2210-4708. Also, enter -0- on line 13 of form IT 4708. When you send to us your form IT 4708, please be sure to include page 1 of the form IT 2210-4708.

If you qualify for and choose option number 2, then do not complete lines 11 through 18 for columns a, b and c. Complete lines 11-18 for column d to determine if there is any interest penalty due. Enter on line 19 on this form and on line 13 of form IT 4708 the amount you show on line 18, column d on form IT 2210-4708. When you send to us your form IT 4708, please be sure to include page 1 of the form IT 2210-4708.