



2007 IT 2210-1041 Interest Penalty on Underpayment of Fiduciary Income Tax

Attach to 2007 Ohio form IT 1041.

Name of trust or estate	Federal employer I.D. number
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Do You Owe Interest Penalty?

Use this form to calculate interest penalty on underpayment of Ohio fiduciary income tax and to show the exceptions where no interest penalty is due. See Note 1 on page 3. Check here if you engage in farming or fishing activities, and see Note 2 on page 3.

1. 2007 income tax (from 2007 Ohio form IT 1041, line 11).....1. _____
2. 2007 withholding taxes (withheld by other entities), refundable credits and 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 to line 4.
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 to line 5.
5. 2006 income tax (from 2006 Ohio form IT 1041, line 11).....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 to line 5a.
- 5a. Amount shown on line 1, above.....5a. _____
- 5b. Statutory amount.....5b. < \$500 >
- 5c. Line 5a minus line 5b.....5c. _____
6. Required annual payment. Enter the smallest of line 4, line 5 or line 5c.....6. _____

Short method

You may use the short method only if you paid no estimated income tax payments or if you paid estimated income 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 income tax payments made7. _____
- 7A. Enter amount from line 2.....7a. _____
8. Add line 7 and line 7a.....8. _____
9. Subtract line 8 from line 6.....9. _____
10. Multiply line 9 by .052925. Enter the result here and on Ohio form IT 1041, line 12.....10. _____

Long method

11. Multiply the amount on line 6 by the percentage indicated in each column. However, if the fiduciary chooses to annualize income, check the box and attach detailed calculations.....11. _____
12. Multiply the tax withheld (by other entities) by the percentage shown at the top of each column (see instructions on page 2)12. _____
13. Cumulative estimated tax paid by the date shown at the top of each column.....13. _____
14. Overpayment credit carryover from 2006 Ohio form IT 1041 and refundable credits. Enter this amount in all four columns.....14. _____
15. Add lines 12, 13 and 14.....15. _____
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 instructions on page 2).....17. _____
18. Interest penalty for the period: Multiply the ratio on line 17 by the respective underpayment on line 16 (if full or partial payment was made late, see instructions on page 2)18. _____
19. Total interest penalty due. Add line 18, columns A through D. Enter here and on 2007 Ohio form IT 1041, line 12.....19. _____

Payment Due Dates			
A	B	C	D
4/17/07 - 25%	6/15/07 - 50%	9/17/07 - 75%	1/15/08 - 100%
.012932	.020164	.026292	.019891

Line Instructions for Ohio Form IT 2210-1041

Line 5 – If your 2006 return reflected a period of less than 12 months, do not complete this line; instead, enter the amount from line 4 on line 5.

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 this method for all payment due dates. Attach detailed calculations.

Line 12 – A fiduciary may be an equity investor in one or more other pass-through entities (hereafter referred to as the “investee pass-through entity”). The investee pass-through entity may file Ohio forms IT 1140 or IT 4708 to pay tax (hereafter referred to as “withholding tax”) on behalf of the fiduciary with respect to the investee pass-through entity’s taxable year ending within or with the last day of the fiduciary’s taxable year.

Unless the fiduciary shows otherwise, the fiduciary is considered to have paid on each payment due date one-fourth of the total amount of withholding tax actually withheld by the investee pass-through entity for the fiduciary. For example, if the fiduciary’s total Ohio pass-through entity tax withheld (by the investee pass-through entity) for the year is \$1,000, the fiduciary is considered to have paid \$250 for each fiduciary income tax payment due date. On a cumulative basis, the amount of withholding tax 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 (8% for 2007 and 8% for 2008) 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 (i) never made the estimated payment or (ii) made full payment on or after the following payment due date.

However, if the taxpayer makes a full or partial payment after the payment due date but before the next payment due date, ignore the ratio on line 17 and see Example 2 and Example 3, at right.

Line 18 – Multiply the ratio on line 17 by the respective underpayment on line 16 (see Example 1, below).

Example 1 – Assume that the underpayment shown on line 16 for the 4/17/07 due date is \$1,000. Also assume that the taxpayer made no estimated payment during the period 4/17/07 through 6/15/07. The taxpayer will compute interest penalty for the period 4/18/07 through 6/15/07 by multiplying the underpayment shown on line 16, column A by the ratio (.012932) shown on line 17, column A:

$$\text{Interest penalty} = \$1,000 \times .012932 = \$12.93$$

Note: If the taxpayer made a full or partial payment of the required estimated payment after the 4/17/07 due date but before the 6/15/07 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 and Example 3, at right).

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

Example 2 – Full payment made after the due date but before the next due date. Assume that the underpayment shown on line 16 for the 4/17/07 due date is \$1,000. Also assume that the taxpayer paid this full amount on 5/15/07 (which is after the 4/17/07 payment due date but before the next payment due date of 6/15/07). Compute the ratio as follows:

Step 1. Determine the number of days from the date the payment was due (4/17/07) to the date the payment was paid (5/15/07) = 28 days.

Step 2. Calculate the ratio using the following formula:

$$\begin{aligned} \text{Ratio} &= \text{interest rate} \times \text{number of days late}/365^* \\ \text{Ratio} &= .08 \times 28/365 = .006137 \end{aligned}$$

The taxpayer would enter the recomputed ratio (.006137) on line 17, column A and compute interest penalty (line 18, column A) for the period 4/18/07 through 5/15/07 by multiplying the underpayment by the recomputed ratio (include detailed calculations with Ohio form IT 1041).

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 but before the next payment due date, see Example 3, below.

Example 3 – Partial payment made after the due date but before the next due date. Assume that the underpayment shown on line 16 for 4/17/07 is \$1,000 and that the taxpayer paid \$600 of this amount on 5/15/07 (which is after the 4/17/07 payment due date but before the next payment due date of 6/15/07). Compute the interest penalty for column A on line 18 as follows:

Step 1. Determine the number of days from the 4/17/07 payment due date to the 5/15/07 date of the partial payment: 4/17/07 to 5/15/07 = 28 days.

Step 2. Calculate the interest penalty on the \$1,000 underpayment for the 28-day period from 4/17/07 to the 5/15/07 partial payment date using the following formula:

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

$$\text{Interest penalty} = \$1,000 \times .08 \times 28/365 = \$6.14$$

Step 3. Determine the number of days from the 5/15/07 payment date to the next required due date of 6/15/07: 5/15/07 to 6/15/07 = 31 days.

Step 4. Calculate the interest penalty on the \$400 underpayment (\$1,000 minus \$600) for the 31-day period from 5/15/07 to 6/15/07 using the following formula:

$$\text{Interest penalty} = \$400 \times .08 \times 31/365 = 2.72$$

Step 5. Add the amounts determined in Steps 2 and 4 (\$6.14 + \$2.72 = \$8.86). This is the total interest penalty for the period 4/17/07 to 6/15/07. The taxpayer would (i) cross out the ratio on line 17, column A, (ii) enter \$8.86 on line 18, column A and (iii) include detailed calculations with Ohio form IT 1041.

Notes

Note 1: Each estate may be able to avoid the interest penalty if it (i) combines its state income tax with its school district income tax and (ii) determine if the estate meets any one of the following three requirements:

- (a) The sum of the estate's income tax liability for the current year (2007 Ohio form IT 1041, line 11) and the estate's school district income tax liability (2007 Ohio form SD 100E, line 3), reduced by the estate's combined withholdings, combined refundable credits and combined overpayment credit carryovers from 2006, is no more than \$500.
- (b) The sum of the estate's combined state and school district withholdings, combined refundable credits and combined overpayment credit carryovers from 2006 is equal to or greater than the sum of the estate's income tax liability for the immediately preceding year (2006 Ohio form IT 1041, line 11) and the estate's school district income tax liability for the immediately preceding year (2006 Ohio form SD 100E, line 4).
- (c) The sum of the estate's combined state and school district withholdings, combined refundable credits and combined overpayment credit carryovers from 2006 is equal to or greater than 90% of the sum of the estate's income tax liability for the current year (2007 Ohio form IT 1041, line 11) and the estate's school district income tax liability for the current year (2007 Ohio form SD 100E, line 3).

If this note applies to you, modify Ohio form IT 2210-1041 accordingly. Attach to Ohio forms IT 1041 and SD 100E a copy of modified Ohio form IT 2210-1041.

Note 2: 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 instead 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 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. **Note:** The Ohio Department of Taxation will follow the lead of the IRS and extend the time for exemption of underpayment penalty (2210) for Farmers and Fishers from March 3, 2008 until March 10, 2008. This extended exemption time is for all paperless (electronic) filing methods and paper filing methods.

- **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 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 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 IRS an extension of time to file the federal 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 the taxpayer qualifies for and chooses Option 1, enter -0- on Ohio form IT 2210-1041, line 19. Also, enter -0- on Ohio form IT 1041, line 12. When mailing Ohio form IT 1041, attach page 1 of Ohio form IT 2210-1041.

If the taxpayer qualifies for and chooses Option 2, do not complete lines 11-18, columns A, B and C. However, complete lines 11-18 for column D to determine if there is any interest penalty due. Enter on Ohio form IT 2210-1041, line 19 and on Ohio form IT 1041, line 12 the amount computed and shown on Ohio form IT 2210-1041, line 18, column D. When mailing Ohio form IT 1041, attach page 1 of Ohio form IT 2210-1041.