



U.S. Small Business  
Administration



# Estimated Taxes What 60% of Businesses are Doing WRONG

Presented by: Peter G Harriman

Certified Business Adviser and Portland Center Director, Maine SBDC at University of  
Southern Maine



MAINE SMALL BUSINESS  
DEVELOPMENT CENTERS



# Purpose of this Presentation

- This Presentation is to help you understand Estimated Taxes

Feel free to put questions in the Chat!

Note: Those who signed up with get these slides sent to them

This Webinar IS being recorded and will be available!

<https://www.youtube.com/c/MaineSmallBusinessDevelopmentCenters>

# AGENDA

- Introduction – Who We Are
- What are Estimated Taxes
- When and How to Pay
- Tricks on Calculating
- Are there Exceptions
- Resources Available

Meet The Advisor

# Peter Harriman



UNIVERSITY OF  
SOUTHERN MAINE



Certified Business Advisor since 2015

Territory: Cumberland County

Contact Information:  [peter.harriman@maine.edu](mailto:peter.harriman@maine.edu)

 207-780-4844



# Who is the Maine SBDC?

## 12-14 Business Advisors

# No-cost, confidential business advising for new and existing business owners

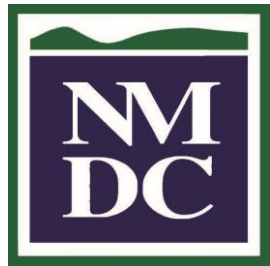
## Locations throughout Maine

## Meetings virtually & in-person



# SBDC Hosts Across Maine

Economic development organizations that host  
Maine SBDC advisors:



# No-Cost, Confidential Business Advising to Current & Aspiring Small Business Owners

- Business Plans & Planning
- Business Strategy & Growth
- Financing
- Marketing
- Operations & Management
- Buying or Selling a Business / Exit Planning
- And More!

*\*Some Exceptions Apply – SBDC cannot provide guidance on legal, tax and accounting*

## What does the SBDC do?

# Who do we serve?

- Small Business Entities (as defined by the SBA)
- Individuals Starting or Acquiring Businesses
- For-Profits\*
- Maine-Based
- All Industries\*
- Underserved Populations

*\*Some Exceptions Apply*



<https://www.mainesbdc.org/>



Maine Small Business  
Development Centers

*Building Maine's Future, One Business at a Time.*

REQUEST ADVISING >

ADVISING LEARNING RESOURCES CLIENT STORIES LOCATIONS ABOUT

## MAINE SBDC 2024 ANNUAL REPORT

*Inspiring Confidence,  
Transforming Futures*



### NEW BUSINESS

Are you an entrepreneur looking to start a business in Maine?

GET STARTED >



### EXISTING BUSINESS

The Maine SBDC is here to help you manage, run and grow your business.

GET STARTED >



# OR Find us on YouTube

The image is a screenshot of the Maine Small Business Development Centers (SBDC) YouTube channel page. The page layout includes a left sidebar with navigation options: Home, Shorts, Subscriptions, Library, History, Your videos, Watch later, and Liked videos. Below these are subscription categories: Music, Sports, Gaming, and Movies & Shows, followed by an 'Explore' section. The main header area features the YouTube logo, a search bar, and icons for camera, microphone, and notifications. The channel banner image shows hands writing on a notepad with the text 'Helping Small Businesses Do Big Things' and various social media-style icons (heart, @, star, comment) with numbers. The channel name 'Maine Small Business Development Centers' is displayed with '648 subscribers' and a 'Subscribe' button, which is circled in red. Below the channel name is a navigation bar with tabs: HOME, VIDEOS, PLAYLISTS (circled in red), COMMUNITY, CHANNELS, and ABOUT. The main content area shows a video titled 'What you should know about the Maine SBDC?' with 931 views and a thumbnail of a virtual meeting grid. The video description mentions the pandemic's impact and provides a link to the SBDC website. The 'AMERICA'S SBDC MAINE' logo is in the bottom right corner.

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Helping Small Businesses Do Big Things

AMERICA'S SBDC MAINE

Maine Small Business Development Centers

648 subscribers

Subscribe

HOME VIDEOS **PLAYLISTS** COMMUNITY CHANNELS ABOUT

What you should know about the Maine SBDC?

931 views • 2 years ago

The pandemic has changed the way everything works, but what hasn't changed is our dedication to helping the small businesses of Maine! With virtual meetings and a little creativity, our Business Advisors are still here to help you out. Request Advising today: [https://mainesbdc.centerdynamics.com/...](https://mainesbdc.centerdynamics.com/)

"Take Me Higher" by Jahzzar is licensed under a Attribution-...

READ MORE

AMERICA'S SBDC MAINE





**On With The  
SHOW**



# What are Estimated Taxes?

Estimated Taxes are a **PAY AS YOU GO** system

In 2022 the Average penalty was \$150  
and in 2023 it was \$500

# For an Employee:

- Withholding – As an EMPLOYEE, your employer withholds:  
your estimated taxes from your paycheck and  
makes your payments FOR YOU.
- Taxes are withheld based on your input on your  
W4 form
- Taxes withheld:
  - Federal Income (amount varies depending on pay)
  - State Income (amount varies depending on pay)
  - FICA (Social Security and Medicare)
    - 7.65% of your pay from **Employee**
    - 7.65% of your pay from **Employer**
  - Additional Taxes you specifically ask to be withheld\*



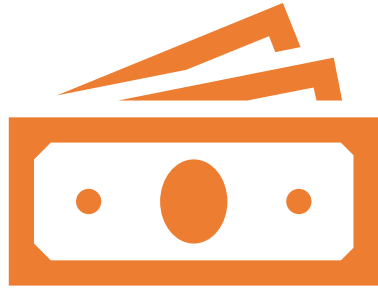
# For a Business:



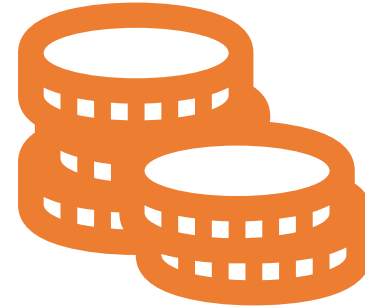
**YOU** have to withhold your **OWN** taxes and make your **OWN** payments

- Taxes are:
  - Federal Income (amount varies by income)
  - State Income (amount varies by income)
  - FICA\* – Social Security and Medicare – 15.3% (Paid to IRS)  
[\*Called Self Employment Taxes for Self Employed]
- Most Businesses will make 4 equal payments over a year period
- Seasonal Businesses can make unequal payments
- See in two slides for Farmers and Fisherfolk

# S-Corps Do a little of Both

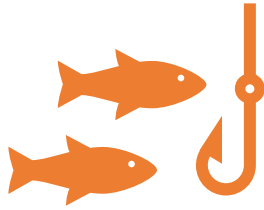


Owners are Employees and on Payroll – so payroll taxes are being withheld and remitted on a regular basis



Estimated Taxes would be on the Distribution portion (if you want.....)

# Farmers and Fisherfolk



**If 2/3 of your  
estimated adjusted  
gross income was  
classified as farming  
or fishing**



**You can EITHER pay  
your estimated  
taxes**

In a single installment on or before January  
15<sup>th</sup>

You can pay your estimated taxes if you file  
your taxes before March 1<sup>st</sup> and pay ALL your  
taxes at that time



# Do I have to pay?

## Three Questions and one Scenario:

- Do you expect to owe less than \$1,000 in taxes for the tax year after subtracting your federal income tax withholding from the total amount of tax you expect to owe this year?

under \$1000

[FLAMINGTEXT.COM](https://flamingtext.com)

If so, you're safe—you don't need to make estimated tax payments.

- Do you expect your federal income tax withholding (plus any estimated taxes paid on time) to amount to at least 90 percent of the total tax that you will owe for this tax year?

90%

further

- If so, then you're in the clear, and you don't need to make estimated tax payments.

- Do you expect that your income tax withholding will be at least 100 percent of the total tax on your previous year's return? Or, if your adjusted gross income (Form 1040, line 11) on your tax return was over \$150,000 (\$75,000 if you're single or married and file separately), do you expect that your income tax withholding will be at least 110 percent of the total tax you owed for the previous year?

AGI	You won't have to pay penalties if...
\$150,000 or less	You met 100% of last year's tax liability, in equal payments across all four quarters
More than \$150,000	You met 110% of last year's tax liability, in equal payments across all four quarters

further

- If so, then you're not required to make estimated tax payments.



# An Unlikely Scenario:

- The IRS advises that in the below scenario, you do NOT have to pay estimated taxes for the current year:
  - 1) You had no tax liability for the prior year (or you did not have to file a tax return)
  - 2) You were a U.S. citizen or resident alien for the whole year
  - 3) Your prior tax year covered a 12-month period

# Okay, you have to pay – WHEN?

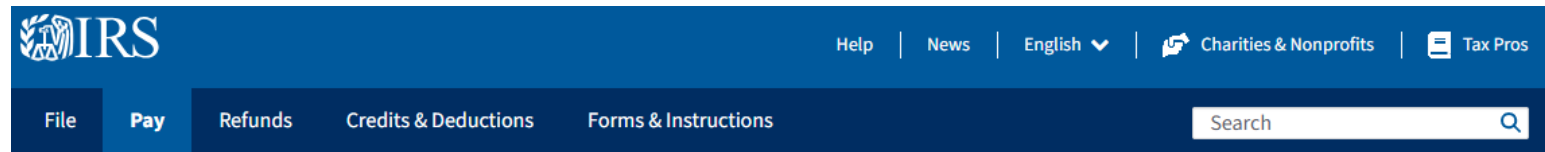
- You start paying when you start the business
- If your business is on a Calendar Year (meaning Jan 1 – Dec 31)

<i>Payment</i>		<i>When Income Earned in 2025</i>	<i>Due Date</i>
1st Payment	3 Months	January 1 to March 31	April 15, 2025
2nd Payment	2 Months	April 1 to May 31	June 15, 2025
3rd Payment	3 Months	June 1 to August 31	September 16, 2025
4th Payment	4 Months	September 1 to December 31	January 15, 2026

# I know WHEN... how about HOW?

- Federal:

<https://www.irs.gov/payments>



[Home](#) / [Payments](#)

## Make a payment

[English](#) | [Español](#) | [中文\(简体\)](#) | [中文\(繁體\)](#) | [한국어](#) | [Русский](#) | [Tiếng Việt](#) | [Kreyòl ayisyen](#)

### Bank account (Direct Pay)

Pay your tax balance due, estimated payments or part of a payment plan. Penalties and interest will continue to grow until you pay the full balance.

### Debit or credit card

#### Pay from your bank account

### Your online account

Pay now or schedule payments up to a year in advance.

### Business tax payment (EFTPS)

[Direct Pay with bank account](#)

### Payment plan

#### Debit card, credit card or digital wallet

### Tax debt help

For individuals and businesses. Processing fees apply. Not for payroll taxes.

### Penalties

[Pay by card or digital wallet](#)

### Interest

### Tax withholding

#### Pay from your IRS account

### Foreign electronic payments

Sign in or create an account to pay now or schedule a payment.



- EFTPS (Preferred by IRS) [ you need to set up an account!]
- Sole Props and Partnerships can use – (ie for individuals)
  - Direct Pay, EFTPS, and Credit Card/Debit Card/Digital Wallet (fees apply)

### **Pay from your IRS account**

Sign in or create an account to pay now or schedule a payment.

#### **Individual Online Account**

- Pay balance due, payment plan, estimated tax and more
- View amount due, payment plan details, payment history and scheduled payments

**Pay in online account**

#### **Business Tax Account**

- Make federal tax deposit payments
- Make balance due payments
- View payment history

**Pay in business tax account**

#### **Electronic Federal Tax Payment System (EFTPS)**

- Enrollment required to use this option
- Make payments from your bank account
- Make tax deposits; pay estimated taxes, Offer in Compromise (OIC) or other types of payments

**Pay through EFTPS**

## WELCOME TO EFTPS

# EFTPS

Electronic Federal Tax Payment System

[HOME](#)[ENROLLMENT](#)[MY PROFILE](#)[PAYMENTS](#)[HELP & INFORMATION](#)[CONTACT US](#)[LOGIN](#)

### New to our site?

The Electronic Federal Tax Payment System (EFTPS) is a secure way for you, as an individual taxpayer, to pay your federal taxes. If you have the necessary credentials, you can pay any tax liability through the system.

### Notice to Website Users - Multifactor Authentication

- What is Multifactor Authentication? The Internal Revenue Service is requiring that all taxpayers who use EFTPS to pay their taxes must use multifactor authentication. EFTPS is partnering with

Secure sign-in via Login.gov.

- Where can I go for MFA?
  - Login.gov - Visit [Login.gov](#)
  - ID.me - Visit [ID.me](#)
  - EFTPS - Call 1.800.955.2834 or visit [EFTPS.gov](#)
    - [Authentication \(MFA\)](#)
    - [How do I use Login.gov?](#)
    - [How do I use ID.me?](#)
    - [How do I use EFTPS?](#)
    - [What if I have a problem with my authentication?](#)
    - [How can I get help?](#)

TAXPAYER  
ENROLLMENT

INDIVIDUAL TAXPAYER  
ENROLLMENT

1 Start 2 Enroll 3 Review 4 Complete

Let's get started.

Already enrolled? [Log In.](#)

### Privacy Act and Paperwork Reduction Act

#### PRIVACY ACT AND PAPERWORK REDUCTION ACT NOTICE

We ask for the information on the forms on EFTPS.com and EFTPS.gov to carry out the Internal Revenue laws of the United States. We need this information to ensure that you are complying with the revenue laws and to allow us to figure and collect the right amount of tax. Our authority to ask for this information is 5 U.S.C. 301 and Internal Revenue Code sections 6001, 6011, 6012, and their applicable regulations. Section 6109 requires filers to provide their SSN or other identifying numbers. The information will be used to enroll you in the Electronic Federal Tax Payment System (EFTPS) and to

This is the equivalent of OMB Form No. 9779 (OMB 1545-1467)

☐ I accept the Privacy Act and Paperwork Reduction Act.

Enroll me as a:

Business - or - Individual - or - Federal Agency



# Out of T

CP2000/CP2501/CP3219A

Civil Penalty

**Estimated Tax**

Extension

IRC 965 - Transition Tax

IRC 965 Transferee [1040]

Offer In Compromise - Accepted Offer

Offer In Compromise - Application Fee

Offer In Compromise - Subsequent Periodic Payment

Offer In Compromise - 20% Lump Sum Cash/Initial Periodic Payment

Offshore Streamlined Filing Compl.

Offshore Voluntary Disclosure

Partner Payment for BBA Modification

Partner Payment for Proportionate Share of BBA Imputed Underpayment

Payment Plan/Installment Agreement

Prepayment on BBA AAR/Exam Push Out

Proposed Tax Assessment

Select Reason ▼

Apply Payment To ?

Tax Period for Payment ?

CONTINUE >

# THE IRS DOES want to help you pay!

## Self-employed individuals tax center 2025



English | [Español](#)

### Form 1040-ES

#### Estimated Tax for Individuals

#### Individuals

#### Businesses and self-employed

Business tax account

Employer ID numbers

Business taxes

Business structures

Operating a business

Self-employed

Independent contractors

Gig workers

Small business

- [Who is self-employed?](#)
- [What are my self-employed tax obligations?](#)
- [How do I make my quarterly payments?](#)
- [How do I file my annual return?](#)
- [Am I required to file an information return?](#)
- [Business structures](#)
- [How do I choose my business structure?](#)
- [How do I choose my business?](#)
- [What are my tax obligations?](#)
- [Considering a tax professional](#)

#### Who is self-employed?

Generally, you are self-employed if any of the following apply:

- You carry on a trade or business as a [sole proprietor](#).
- You are a member of a [partnership](#) that carries on a trade or business.
- You are otherwise in business for yourself (including as a [gig worker](#)).

[Back to top](#)

#### Purpose of This Package

Use Form 1040-ES to figure and pay your estimated tax for 2025.

Estimated tax is the method used to pay tax on income that isn't subject to withholding (for example, earnings from self-employment, including income from a sole proprietorship, dividend payments, interest, etc.). In addition, if you have income that is subject to withholding, you should make estimated tax payments on the other income, such as investment income, pension or annuity payments, or social security benefits.

**Preprinted vouchers.** If you made estimated tax payments for 2024, this package may contain vouchers that are preprinted with your name, address, and SSN.

**TIP** If your name or SSN isn't correct, make the necessary changes on the vouchers. Cross out the name and SSN of a deceased or divorced spouse.

**Change of address.** If your address has changed, file Form 8822, to update your record.

**Future developments.** For the latest information about developments related to Form 1040-ES and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1040ES](#).

#### Who Must Make Estimated Tax Payments

The estimated tax rules apply to:

**Exception.** You don't have to pay estimated tax for 2025 if you were a U.S. citizen or resident alien for all of 2024 and you had no tax liability for the full 12-month 2024 tax year. You had no tax liability for 2024 if your total tax was zero or you didn't have to file an income tax return.

**Special Rules.** There are special rules for those who have income from farming and fishing, for certain household employers, and certain night income tax payers.

**Farming and fishing.** If at least two-thirds of your gross income for 2024 or 2025 is from farming or fishing, substitute 66 2/3% for 90% in (2a) under *General Rule*.

**Household employers.** When estimating the tax on your 2025 tax return, include your household employment taxes if either of the following applies.

- You will have federal income tax withheld from wages, pensions, annuities, gambling winnings, or other income.
- You would be required to make estimated tax payments to avoid a penalty even if you didn't include household employment taxes when figuring your estimated tax.

**Higher income taxpayers.** If your adjusted gross income (AGI) for 2024 was more than \$150,000 (\$75,000 if your filing status for 2025 is married filing separately), substitute 110% for 100% in (2b) under *General Rule*, earlier. If at least two-thirds of your gross income for 2024 or 2025 is from farming or fishing, this rule doesn't apply.

#### Increase Your Withholding

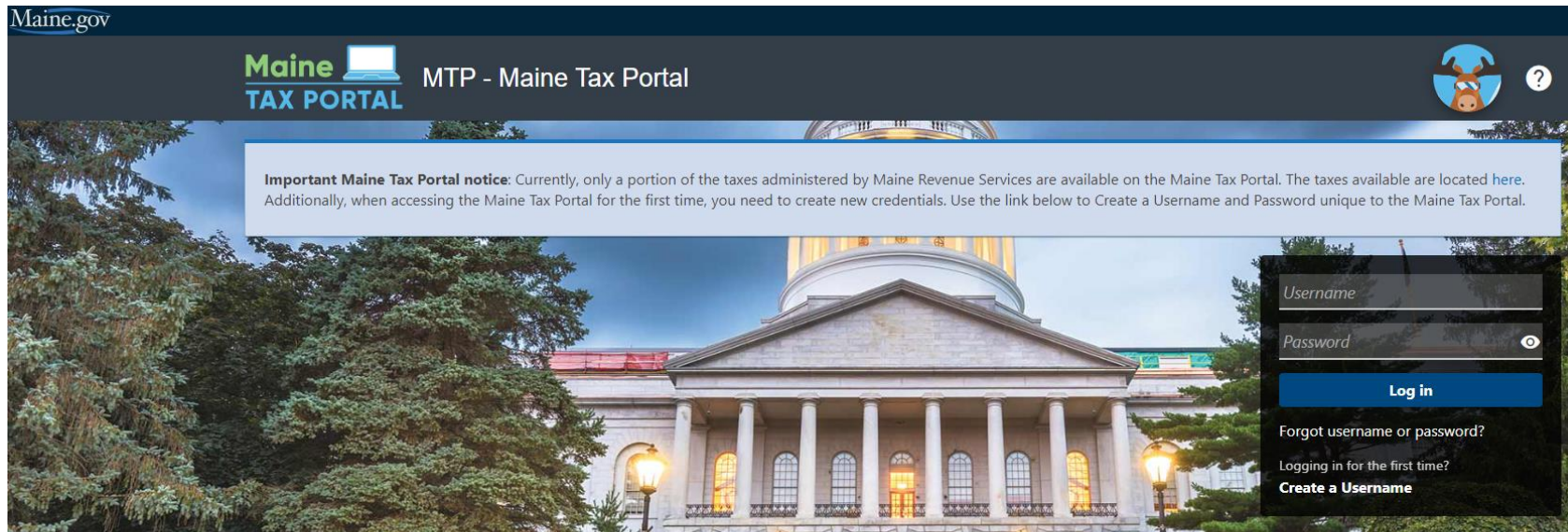
If you also receive salaries and wages, you may be able to

# SWARM OF FORMS

# And about the STATE...

- Maine – THE ALMIGHTY MAINE TAX PORTAL

[https://revenue.maine.gov/\\_/](https://revenue.maine.gov/_/)



 Search our online services



## Quick Links

Access to frequently used actions.



## Businesses

Manage items for my business.



## Individuals

Actions for Individuals that do not require logging in.



## Make a Payment

Demographics

### What Type Of Payment Would You Like To Make?

Payment Type

Estimated Payment

Account Type \*

Required

### ID Information

FEIN \*

Required

Company Name \*

Required

Required

Composite Tax

Corporate Income Tax

Fiduciary Income Tax

Fire Investigation Tax

Franchise Tax

Health Care Provider Tax

Individual Income Tax

Insurance Premiums Tax

Nonadmitted Premiums Tax

Pass-Through Withholding



# Okay...I know If, WHEN and HOW, but HOW MUCH?

- Some things to remember:
  - Payments are supposed to be EQUAL across the periods
  - Worksheets from the Government:
    - 1040ES for Federal
    - 1040ES-ME for Maine
  - IF your income is uneven across the year, you can use the **Annualized Income Installment Method (Form 2210)**
  - ESTIMATE, ESTIMATE, ESTIMATE\*
    - Your Federal Estimated Tax Payment covers FED Income tax and Self Employment Tax (SS & Med)
    - Your State Estimated Tax Payment only covers STATE income Tax
  - Filing Joint Tax Returns have a Benefit AND a Drawback
    - Benefit – If your partner is an employee, you can have THEIR employer withhold additional taxes for YOU
    - Drawback – you are essentially estimating taxes for ALL your income

# The Tricky Part about Tax Tables

Tax brackets 2025		
Rate	Single Filers	Married Filing Jointly
10%	\$0 - \$11,925	\$0 - \$23,850
12%	\$11,926 to \$48,475	\$23,851 to \$96,950
22%	\$48,476 to \$103,350	\$96,951 to \$206,700
24%	\$103,351 to \$197,300	\$206,701 to \$394,600
32%	\$197,301 to \$250,525	\$394,601 to \$501,050
35%	\$250,526 to \$626,350	\$501,051 to \$751,600
37.0%	\$626,351+	\$751,601+


- Taxpayer 1 - \$50,000, Taxpayer 2 - \$30,000 = Total \$80,000

## Whose is taxed more?

- You should pick a “base” Taxpayer and then understand that the other Taxpayer is NOT starting at \$0, but rather at the top of the base.

# A Better Trick Versus the 1040ES worksheets...

- Use a computer program!
- Not an endorsement, but this seemed to be a good one:
  - <https://www.taxoutreach.org/rideshare/estimated-payments-calculator/>

**GET IT BACK** STIMULUS PAYMENTS TAX CREDITS TAX FILING RIDESHARE TAXES OUTREACH 

---

### Simplified Estimated Payments Calculator

---

What is your filing status?

Single

Married Filing Together

Married Filing Separately

Head of Household

Self-employment income: \$

[Skip to the Advanced Estimated Payments Calculator →](#)

# Simplified Estimated Payments Calculator

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What is your filing status?

Single Married Filing Together Married Filing Separately Head of Household

Self-employment income \$ 50,000 OK

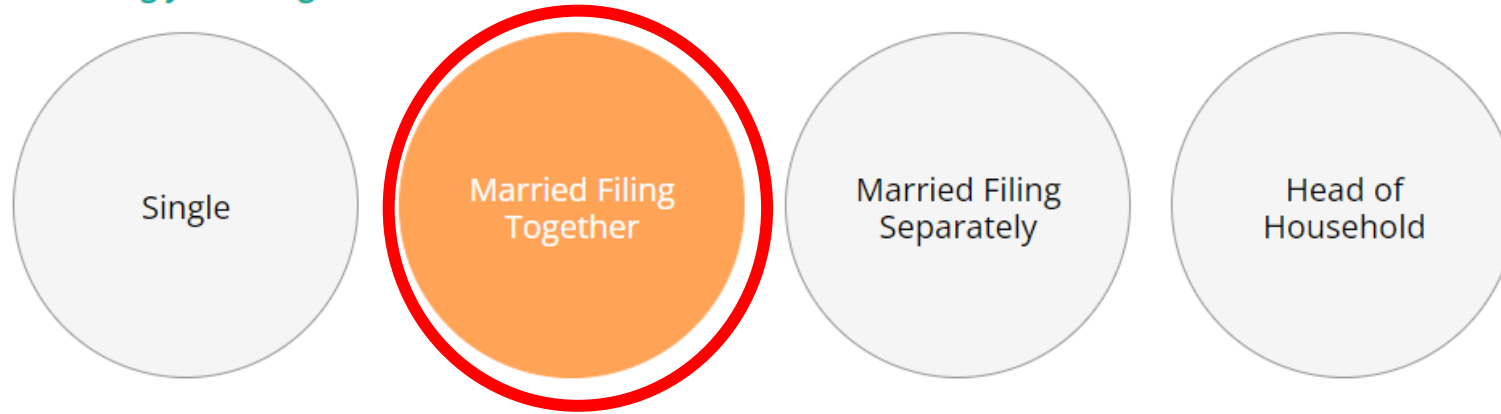
Based on our calculation, you should pay \$2,193 quarterly, or \$8,773 in total for the year. **This figure is just an estimate — use the Advanced Estimated Payments Calculator for a more comprehensive number.**

Use the Advanced Estimated Payments Calculator →



## What is your filing status?

Read the [IRS guide for help determining your filing status](#).



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1 / 8

Next →

**My household has income from the following sources:**

(select multiple)

Self-Employment

Wages / Salary

Other Income

Make four payments of \$1,342.

Estimated payments are made four times a year on certain dates. Read the [Quarterly Estimated Payments Due Dates](#) for deadlines and information on how to pay. Make sure to look into your state's estimated payments.

How did we get this number? Based on your answers:

Taxes you owe (total tax liability): \$9,508  
Taxes you withhold: \$4,138  
Leftover Liability: \$5,370

**Income (how much money you make)**

Gross Income

\$80,000

**Adjustments and Deductions (these reduce the money you pay taxes on)**

Self-Employed Income Adjustment

\$2,119

Student Loan Interest Deduction

\$0

Standard Deduction

\$25,100

Qualified Business Income Deduction

\$5,576

**Taxable Income (how much of your income you pay income tax on)**

Total Taxable Income

\$47,204

**Taxes**

Income Tax

\$5,269

Self-Employment Tax

\$4,239

Additional Medicare Tax

\$0

**Total Tax Liability Before Credits**

**\$9,508**

**Nonrefundable Credits (these reduce your taxes dollar-for-dollar but can't reduce your income tax below zero)**

\$0

Elderly/Disabled Credit

\$0

Education Credits\*

\$0

Nonrefundable Portion of Child Tax Credit

\$0

**Refundable Credits (dollar-for-dollar reduction in taxes that add to your refund even if you don't owe income tax)**

\$0

Earned Income Tax Credit

\$0

Refundable Portion of Child Tax Credit

\$0

\*For education tax credits, this tool uses the Lifetime Learning Credit instead of the American Opportunity Tax Credit as a conservative number.

# Don't forget STATE Income Taxes!

- Here is a computer tool!
- <https://smartasset.com/taxes/maine-tax-calculator#Fcvs70G22I>



The screenshot shows the SmartAsset website's 'Maine Income Tax Calculator' page. At the top, there's a navigation bar with 'smartasset' and links for HOME BUYING, TAXES (highlighted), RETIREMENT, BANKING, INVESTING, SMARTREADS, and MORE. A banner for 'Tax filing COUNTDOWN is on.' with a 'TaxAct' logo and 'Start for Free' button is visible. The main heading is 'Maine Income Tax Calculator'. Below it, an 'Overview of Maine Taxes' section explains that Maine has a progressive tax system with a 7.15% top marginal rate and no local sales taxes. A map of the US highlights Maine. A sponsored link 'Learn 5 Smart Ways to Spend Your Refund This Year' is present. The calculator form asks for 'Household Income' (set to \$80,000), 'Location' (04038), and 'Filing Status' (Married).

- Be Careful – most tax estimators assume you are an employee

# I have a Penalty...Are there any Exceptions?

The IRS is willing to waive underpayment penalties if you:

- Became disabled
- Are at least 62 and ended up retiring
- Experienced a casualty, disaster, or other "unusual circumstance"
- Can claim the

**First Time Penalty Abatement Waiver**



# Summary:

- Understand What Estimated Taxes are
- Understand When and How to Pay
- Understand How Much to Pay
- And PAY on Time and in Equal Amounts!

# Thank you! And Resources!

- IRS Estimated Tax Payment website: <https://www.irs.gov/businesses/small-businesses-self-employed/estimated-taxes>
- IRS Publication on Withholding and Estimated Taxes: <https://www.irs.gov/publications/p505>
- Annualized Income Installment Method Instructions: <https://www.irs.gov/instructions/i2210>
- Federal 1040ES Instructions: <https://www.irs.gov/pub/irs-pdf/f1040es.pdf>
- Maine 1040ES-ME Instructions: [https://www.maine.gov/revenue/sites/maine.gov.revenue/files/inline-files/21\\_1040es\\_download\\_w\\_instructionsff\\_0.pdf](https://www.maine.gov/revenue/sites/maine.gov.revenue/files/inline-files/21_1040es_download_w_instructionsff_0.pdf)
- Federal Tax Calculator: <https://www.taxoutreach.org/rideshare/estimated-payments-calculator/>

- Blank



# Annualized Income Installment Payments

- The annualized income installment method involves splitting your year into four chunks:

- 🌑 January 1 to March 31 (a)
- 🌒 January 1 to May 31 (b)
- 🌔 January 1 to August 31 (c)
- 🌕 January 1 to December 31 (d)

Multiply by a Multiple

- 4 for period (a)
- 2.4 for period (b)
- 1.5 for period (c)
- 1 for period (d)

(from: <https://www.keepertax.com/posts/what-happens-if-you-miss-a-quarterly-estimated-tax-payment>)

### Period (a)



$$\times 4 = \$80,000 \text{ annualized}$$

### Period (b)



$$= \$25,000 \times 2.4 = \$60,000 \text{ annualized}$$

### Period (c)



$$= \$40,500 \times 1.5 = \$40,500 \text{ annualized}$$

### Period (d)



$$= \$42,000 \times 1 = \$42,000 \text{ annualized}$$