



How to Complete Form 4868 and Estimate Tax Liability

PART 1: HOW TO COMPLETE FORM 4868

Find a printed Form 4868 to fill out by hand, or, type directly on to the electronic form, which is available on CTC Resources under “Extension/Amendment/Paper.”

1. **On lines 1-3**, enter taxpayer information from SSNs, ITINs, and IDs.
2. **On line 4**, enter an estimate of the client’s tax liability. For help, see Parts 2 of this document on pages 2-4.
3. **One line 5**, calculate the total withholding for all income documents. Also include in this total any estimated payments made for Tax Year 2020.
4. **On line 6**, subtract line 5 from line 4. If line 5 is more than line 4, enter -0-.
5. **On line 7**, enter the payment amount (if any) the taxpayer will be submitting to the IRS with the Extension form.
6. **Print two copies**, one for the client’s records and one to send to the IRS. The IRS mailing addresses differs depending on whether or not the taxpayer is mailing a payment.

- Address without payment:

Department of the Treasury, Internal Revenue Service Austin, TX 73301-0045

- Address with payment:

Internal Revenue Service, P.O. Box 1302 Charlotte, NC 28201-1302

Note: Lines 4-7 are an estimate of tax liability only and do not account for any credits or deductions (other than the standard deduction) that are included on the tax return.

If not calculating the income, Lines 4-7 can be left completely blank, and the client will still have their (automatic) extension approved. If the client owed taxes in 2019 and their 2020 income is similar, we can advise them to send a similar payment amount with their extension request.

PART 2: HOW TO ESTIMATE TAX LIABILITY

2020 Standard Deductions

Single or Married filing separately: \$12,400

Head of Household: \$18,650

Married filing jointly or Qualifying Widow(er): \$24,800

SCENARIO 1 / No Self-Employment Income

Enter Total Income from W-2s, 1099-Rs, 1099-INTs, etc: _____

Subtract Standard Deduction: - _____

Result is Taxable Income: = _____

Multiply Taxable Income by 10%: **0.10 x** _____

Result is Tax Liability to put on line 4: = _____

EXAMPLE 1 / Single Taxpayer with W-2 Income of \$24,000

Line 4, estimate of total tax liability:

\$24,000 - \$12,400 standard deduction = \$11,600 is taxable income

Since the taxpayer has W-2 income, take 10% of that:

\$11,600 x 0.10 = \$1160 tax liability

Line 5, total 2020 payments:

Look at withholding on all income documents – in this case, let's say \$1000 was listed on the W-2.

Line 6, balance due:

\$1160 - \$1000 = \$160

PART 2: HOW TO ESTIMATE TAX LIABILITY, CONT.

SCENARIO 2 / Self-Employment Income Only

Enter Net Profit from Self-Employment:	_____
Subtract Standard Deduction:	- _____
Result is Taxable Income:	= _____
Multiply Taxable Income by 10%:	0.10 x _____
Result is Federal Tax Due:	= _____
Multiply Net Profit from Self-Employment by 15%:	0.15 x _____
Add Federal Tax Due:	+ _____
Result is Tax Liability to put on line 4:	= _____

EXAMPLE 2 / Head of household taxpayer with self-employment net profit of \$21,300

Line 4, estimate of total tax liability:

\$21,300 - \$18,650 standard deduction = \$2650 is taxable income

Since the taxpayer has self-employment income, take 10% of that:

\$2650 x 0.10 = \$265 federal tax due

Multiply self-employment net profit by 15%:

\$21,300 x 0.15 = \$3195 self-employment tax

Add federal tax due and self-employment tax:

\$265 + \$3195 = \$3460 tax liability

Line 5, total 2020 payments:

Look at withholding on all income documents – in this case, let's say no estimated payments were made on the self-employment income.

Line 6, balance due:

\$3460

PART 2: HOW TO ESTIMATE TAX LIABILITY, CONT.

SCENARIO 3 / Self-Employment AND Non-Self-Employment

Enter Total Income from W-2s, 1099-Rs, 1099-INTs, etc:	_____
Add Net Profit from Self-Employment:	+ _____
Subtract Standard Deduction:	- _____
Result is Taxable Income:	= _____
Multiply Taxable Income by 10%:	0.10 x _____
Result is Federal Tax Due:	= _____
Multiply Net Profit from Self-Employment by 15%:	0.15 x _____
Result is Self-Employment Tax Due:	= _____
Add Federal Tax Due:	+ _____
Result is Tax Liability to put on line 4:	= _____

EXAMPLE 3 / Married couple where one spouse has W-2 income of \$10,000 and the other spouse has self-employment net profit of \$20,000

Line 4, estimate of total tax liability:

$\$30,000 - \$24,800$ standard deduction = $\$5,200$ is taxable income

For mixed W-2 and self-employment income, take 10% of that:

$\$5,200 \times 0.10 = \520 federal tax due

Multiply self-employment net profit by 15%:

$\$20,000 \times 0.15 = \$3,000$ self-employment tax

Add federal tax due and self-employment tax:

$\$520 + \$3,000 = \$3,520$ tax liability

Line 5, total 2020 payments:

W-2 withholding was $\$780$ and the taxpayers made estimated payments of $\$2,500$ during the year: $\$780 + \$2,500 = \$3,280$

Line 6, balance due:

$\$3,520 - \$3,280 = \$240$