

Form 2210AL is designed to calculate underpayment of estimated tax penalty as prescribed in Section 40-2A-11 and 40-18-80 of the *Code of Alabama 1975*.

Who Must Pay the Underpayment Penalty

In general, you may owe the penalty for 2019 if the total of your withholding and timely estimated tax payments did not equal at least the smaller of:

1. 90% of your 2019 tax, or
2. 100% of your 2018 tax. (Your 2018 tax return must cover a 12-month period.)

Special rules for certain individuals. Different percentages are used for farmers and fishermen, certain higher income taxpayers, and qualified individuals with small businesses.

Farmers and fishermen. If at least two-thirds of your gross income for 2019 is from farming and fishing, substitute 66-2/3% for 90% in (1) above.

Higher income taxpayers. If your adjusted gross income (AGI) for 2019 was more than \$150,000 (\$75,000 if your 2019 filing status is married filing separately), substitute 110% for 100% in (2) above.

Specific Instructions

Before calculating either of the penalties on Form 2210AL, you will need a copy of both your 2018 and 2019 Alabama income tax returns.

NOTE: Please round all amounts to the nearest whole dollar.

PART I: UNDERPAYMENT PENALTY

If you meet **all** of the criteria for the Underpayment Penalty, you should complete Form 2210AL to determine the amount of penalty due. There are two methods available for calculating this penalty – the **Short Method** from **Part III** or the **Regular Method** from **Part IV**. If you choose to use the Regular Method, you must select from one of two options for calculating your quarterly income: (1) the *Annualized Income Installment Method* from **Schedule AI** or (2) one-quarter (25%) of your *Required Annual Payment* (Part I, Line 6). Selecting one of these options is necessary to calculate the required installments needed to compute your underpayment (Part IV). The underpayment amounts will then be used to calculate the penalty.

PART I – Required Annual Payment

If you are subject to the underpayment penalty, **you must complete** Part I in order to determine the amount of your *Required Annual Payment*. The *Required Annual Payment* will be needed to calculate the underpayment penalty regardless of the method chosen for calculating the underpayment.

Follow the line-by-line instructions in Part I to compute the amount of your *Required Annual Payment*. If the Alabama income tax withheld plus any estimated taxes paid for 2019 is equal to or greater than 90% of your current year liability or 100% of your previous year's tax liability, you are not subject to an underpayment penalty, and are not required to file this form.

Once you have calculated your *Required Annual Payment*, you must decide to use either Method I or Method II to calculate the amount of your underpayment penalty.

METHOD I

Part III – The Short Method

Most taxpayers will find this is the easiest method to use for computing the Underpayment Penalty. Complete this section if your income and deductions were evenly distributed for the year, or if your income for the first part of the year was significantly higher than your income for the end of the year.

METHOD II

Part IV – The Regular Method

If you chose Method II, The Regular Method, the first decision you must make is how to compute the Required Installments (line 1, columns (a)-(d)). You can ei-

ther use the *Annualized Income Installment Method* from **Schedule AI** or use one-quarter (25%) of your *Required Annual Payment* to calculate the Required Installments. If you elect to use the *Annualized Income Installment Method* from **Schedule AI**, you must complete **Schedule AI** before you can complete Part IV.

Line 1 – If you do not elect to use the Annualized Income Installment Method from Schedule AI to calculate your required installments on line 1, Part IV, enter 25% (.25) of your *Required Annual Payment* from line 6, Part I, Form 2210AL, on line 1, columns (a)-(d). If you use the **Annualized Income Installment Method**, see the instructions that follow for **Schedule AI** before completing lines 2-12.

Line 2 – Enter the total of the estimated tax paid for 2019 (line 23 of Form 40, line 22 of Form 40NR) by quarters. For column (a) **only**, enter the amount from line 2(a) on line 6(a) also.

NOTE: If the amounts on line 2, columns (a)-(d) are larger than the amounts on line 1, columns (a)-(d), DO NOT FILE THIS FORM, you do not owe this penalty.

Line 3 – Do not enter an amount on line 3, column (a). For line 3, column (b), enter the amount from line 9, column (a). For line 3, column (c), enter the amount from line 9, column (b). For line 3, column (d), enter the amount from line 9, column (c).

Lines 10-12 (Figure the Penalty)

When you have completed Part IV, any amounts on line 8, columns (a)-(d), must be entered into a computation under the heading **Figure the Penalty** that follows Part IV.

The amounts on line 8, columns (a)-(d) are the amounts of underpaid Alabama income tax for 2019. The underestimation penalty will be calculated on these amounts by completing lines 10-12 under the heading **Figure the Penalty**.

Line 12 (Penalty)

Total the amounts from line 11, columns (a)-(d). This is the amount of your underpayment penalty. This amount should be included on the penalty line of Form 40 or Form 40NR (line 30 of Form 40 or line 30 of Form 40NR) as well as being added to the Amount You Owe line on both forms (line 29 of Form 40 or line 29 of Form 40NR).

Instructions for Schedule AI – Annualized Income Installment Method

Line 1 – Figure your total income for the period minus your adjustments to income for the period. Include your share of partnership or S corporation income or loss items for the period.

Line 4 – Figure your itemized deductions for the period. If you do not itemize your deductions, skip this line and go to line 7.

Line 10 – The federal tax liability deduction is located on line 12 of your 2019 Form 40, or line 14 of your 2019 Form 40NR.

Line 12 – If you are filing a Form 40, enter the total of lines 13 and 14 from your 2019 Form 40. If you are filing a Form 40NR, enter the total of lines 15 and 16 from your 2019 Form 40NR.

Line 15 – If you are filing a Form 40 or Form 40NR, enter the difference of Schedule NTC, line 1 less Schedule NTC, line 31.

Line 19 – Do not enter an amount on line 19, column (a). For line 19, column (b), enter any amount from line 25, column (a). For line 19, column (c), enter the total of line 25, columns (a) and (b). For line 19, column (d), enter the total of line 25, columns (a), (b), and (c).

Line 21 – Enter 25% (.25) of your *Required Annual Payment* (line 6, Part I, Form 2210AL). This amount is needed in order to determine the amount of your underpayment (overpayment) by quarter.

NOTE: After completing Schedule AI, see instructions for line 2, Part IV.