

Form 2210, Underpayment of Estimated Tax by Individuals, Estates and Trusts, and its accompanying instructions

IRS has just released the 2009 version of Form 2210, Underpayment of Estimated Tax by Individuals, Estates and Trusts (<http://www.irs.gov/pub/irs-pdf/f2210.pdf>). Its accompanying instructions (<http://www.irs.gov/pub/irs-pdf/i2210.pdf>) state that IRS will waive the penalty for, among other reasons, an underpayment caused by adjustments made to income tax withholding tables that took effect in spring 2009.

RIA observation: The withholding tables were adjusted in the spring of 2009 to give taxpayers the immediate advantage of the Making Work Pay Credit (MWPC). However, the adjustments to the tables may have caused millions of taxpayers to be underwithheld, according to a recent report by the Treasury Inspector General For Tax Administration (TIGTA). Now, in the wake of this highly critical report, IRS has decided to waive the penalty for an underpayment caused by the adjustments to the tables.

Background. The MWPC is available to eligible individuals for tax years beginning in 2009 (and 2010). The credit, which is refundable, is the lesser of (1) 6.2% of an individual's earned income or (2) \$400 (\$800 for a joint return). It is phased out for higher income taxpayers. Schedule M is used to compute the amount of the credit, which generally was paid in advance through reduced withholding. Certain government payments and credits reduce the amount of the making work pay credit.

The TIGTA report details several scenarios where too little tax may have been withheld including single taxpayers with more than one job and joint filers where one or both spouses have more than one job or both spouses work. For detailed discussion of the categories of affected taxpayers, the MWPC provisions, and the history of the changes to the tables, see Federal Taxes Weekly Alert 11/19/2009, discussing the TIGTA report.

How to get the waiver. To request the waiver, a taxpayer must check box A or box B in Part II of Form 2210. Box A is used to request a waiver of the entire penalty. In such a case, a taxpayer need only complete page 1 of Form 2210 and attach it to his return. The taxpayer is not required to figure the amount of penalty to be waived. Box B is used to request a waiver of part of the penalty. In such a case, the taxpayer must figure the penalty and the waiver amount on Form 2210.

RIA Research References: For the Making Work Pay Credit, see FTC 2d/FIN ¶ A-4291 et seq. For withholding on wages, see FTC 2d/FIN ¶ H-4220; United States Tax Reporter ¶ 34,014; TaxDesk ¶ 532,000. For penalty for underpayment of estimated tax, see FTC 2d/FIN ¶ S-5260; United States Tax Reporter ¶ 66,544.02; TaxDesk ¶ 571,301.