



How to Make Estimated Tax Payments

Paying Taxes as You Earn

Our federal income tax system is a pay-as-you-go deal. For employees, that generally means an employer withholds federal income tax from each paycheck and sends it to the government.

But what if you work for yourself? When a client pays your invoice, there usually isn't an employer setting aside taxes for you. That responsibility becomes yours.

Estimated tax payments are a way to handle that responsibility throughout the year. Think of them as doing your own withholding: you send money to the IRS as you earn income, then account for those payments when you file your annual return. [IRS: Estimated Taxes](#)

Who Needs to Make Estimated Payments?

Generally, estimated payments are required if you expect to owe at least \$1,000 in federal tax after withholding and refundable credits, and those amounts won't meet the IRS's minimum payment requirements described below.

Self-employed people aren't the only ones affected. Income from investments, rental property, or other sources without sufficient withholding can also create a need for estimated payments. If you have a regular job alongside your business, increasing your paycheck withholding may cover the difference. [IRS: Estimated Tax Questions](#)

Remember Self-Employment Tax

Working for yourself usually means paying both income tax and self-employment tax, which funds Social Security and Medicare.

The basic self-employment tax rate is **15.3%**, generally applied to **92.35% of your net business earnings**. Net earnings are what remain after allowable business expenses—not every dollar

your customers pay you. Social Security limits and additional Medicare tax rules can affect the calculation.

You can generally deduct half of your self-employment tax when figuring adjusted gross income. That deduction reduces income subject to income tax; it doesn't cut your self-employment tax bill in half. [IRS: Self-Employment Tax](#)

How to Figure Your Payments

Start with last year's tax return, then adjust for what you expect to change. Are you adding clients, raising prices, buying equipment, or working fewer hours?

Use **Form 1040-ES** to estimate your income, deductions, credits, and taxes for the year. Include both income tax and self-employment tax, and account for any withholding.

Revisit your estimate during the year. A strong sales quarter or a lost client can change what you need to pay. [IRS: Figuring Estimated Tax](#)

Example: A Freelancer Plans Ahead

Suppose Maya is a freelance designer who expects to collect **\$60,000** from clients and spend **\$10,000** on deductible business expenses. That leaves **\$50,000 in net business profit**.

Assuming the standard calculation applies, her estimated self-employment tax would be:

$$\text{\$50,000} \times 92.35\% \times 15.3\% = \text{approximately } \text{\$7,065}$$

She could generally deduct about **\$3,532**—half that amount—when calculating her adjusted gross income. Her income tax would still need to be calculated separately, based on her filing status, other income, deductions, and credits. [IRS: Self-Employment Tax Calculation](#)

For illustration, suppose Maya completes her tax estimate and projects a **total federal tax bill of \$10,000**, including self-employment tax. She has no withholding or credits and earns income steadily throughout the year.

If she chooses to cover that entire projected bill through four equal payments, she would pay:

$$\text{\$10,000} \div 4 = \text{\$2,500 per payment}$$

The \$10,000 figure is an assumption for this example, not a tax calculation based solely on her business profit.

Maya could transfer part of each client payment into a separate savings account. Having the money reserved makes each deadline easier to manage. If her earnings change, she can update her estimate before the next payment.

When Are Payments Due?

For most individuals using a calendar tax year, the usual schedule is:

Income period	Usual payment deadline
January 1–March 31	April 15
April 1–May 31	June 15
June 1–August 31	September 15
September 1–December 31	January 15 of the following year

Although commonly called “quarterly” payments, the periods aren’t all three months long. If a deadline falls on a weekend or legal holiday, it moves to the next business day. [IRS: Payment Schedule](#)

You can generally skip the January installment if you **file your return and pay the entire remaining balance by January 31**, subject to weekend and holiday adjustments. Filing early while waiting until April to pay does not satisfy this exception. [IRS: Publication 505](#)

How to Send Your Payment

You can pay electronically through the [IRS payment options page](#), or mail a payment with the appropriate Form 1040-ES voucher. Keep a record of each payment and make sure it is credited to the correct tax year.

Avoiding Underpayment Penalties

The IRS generally provides protection from underpayment penalties if you pay enough during the year to meet either of these targets:

- **90% of your current year’s tax**, or
- **100% of your prior year’s tax**, provided that return covered a full 12 months.

The prior-year target rises to **110%** if your prior-year adjusted gross income exceeded \$150,000, or \$75,000 if married filing separately. These rules are often called “safe harbors.” [IRS: Estimated Tax Requirements](#)

For example, if Maya’s prior-year tax was \$8,000 and she qualified for the 100% rule, four timely payments of \$2,000 could generally meet that safe harbor. If her final current-year tax was \$10,000, she would still owe the remaining \$2,000 when her return was due.

Timing matters: paying enough at the end of the year doesn’t necessarily fix earlier missed installments. If your income is seasonal or uneven, the annualized income method may allow payments that better reflect when you earned the money. Starting a business alone does not automatically excuse an underpayment. [IRS: Underpayment Rules](#)

Make Taxes Part of Your Routine

Set aside money whenever you get paid, keep your expense records current, and put payment deadlines on your calendar. A brief review before each deadline can help you catch changes while there's still time to adjust.

With a regular routine, estimated taxes become a manageable business expense instead of an unwelcome surprise.