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Last Minute Filing Tips for 2015 Tax Returns

Are you one of the millions of Americans who hasn't filed (or even started) your taxes yet? With the April 18 tax filing deadline quickly approaching, here is some last minute tax advice for you.

1. Stop Procrastinating. Resist the temptation to put off your taxes until the very last minute. It takes time to prepare accurate returns and additional information may be needed from you to complete your tax return.

2. Include All Income. If you had a side job in addition to a regular job, you might have received a Form 1099-MISC. Make sure you include that income when you file your tax return because you may owe additional taxes on it. If you forget to include it you may be liable for penalties and interest on the unreported income.

3. File on Time or Request an Extension. This year's tax deadline is April 18 (April 19, in Maine and Massachusetts). If the clock runs out, you can get an automatic six-month extension, bringing the filing date to October 17, 2016. You should keep in mind, however, that filing the extension itself does not give you more time to pay any taxes due. You will still owe interest on any amount not paid by the April deadline, plus a late-payment penalty if you have not paid at least 90 percent of your total tax by that date.

Call the office if you need to file an extension or file for late-filing penalty relief.

4. Don't Panic If You Can't Pay. If you can't immediately pay the taxes you owe, there are several alternatives. You can apply for an IRS installment agreement, suggesting your own monthly payment amount and due date, and getting a reduced late payment penalty rate. You also have various options for charging your balance on a credit card. There is no IRS fee for credit card payments, but processing companies generally charge a convenience fee. Electronic filers with a balance due can file early and authorize the government's financial agent to take the money directly from their checking or savings account on the April due date, with no fee.

5. Sign and Double Check Your Return. The IRS will not process tax returns that aren't signed, so make sure that you sign and date your return. You should also double check your social security number, as well as any electronic payment or direct deposit numbers, and finally, make sure that your filing status is correct.

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Remember: To avoid delays, get your tax documents to the office as soon as you can.

ACA Tax Facts for Individuals and Families

The Affordable Care Act contains two provisions that may affect your tax return this year: the individual shared responsibility provision and the premium tax credit. Here's what you should know:

Information Forms: 1095-A, 1095-B, and 1095-C

This year marks the first time that certain taxpayers will receive new health-care related information forms that they can use to complete their tax return and then keep with their tax records.

These forms are used to report health coverage information for you, your spouse and any dependents when you file your 2015 individual income tax return in 2016. These forms are also filed with the IRS. Depending upon your specific circumstances, (i.e. whether you receive health insurance from the Health Insurance Marketplace, health coverage providers, or certain employers), you should have received one or more of these forms in early 2016. There are three types of information forms:

Form 1095-A, Health Insurance Marketplace Statement. The Health Insurance Marketplace sends this form to individuals who enrolled in coverage there, with information about the coverage, who was covered, and when. This is the second year in which the Marketplace is issuing Form 1095-A to enrollees. The deadline for the Marketplace to provide Form 1095-A is February 1, 2016.

Form 1095-B, Health Coverage. Health insurance providers (e.g. health insurance companies) send this form to individuals they cover, with information about who was covered and when.

Form 1095-C, Employer-Provided Health Insurance Offer and Coverage. Employers that offer health coverage referred to as "self-insured coverage" send this form to individuals they cover, with information about who

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was covered and when. The deadline for coverage providers to provide Forms 1095-B and employers to provide Form 1095-C is March 31, 2016.

Some taxpayers may not have received a Form 1095-B or Form 1095-C by the time they are ready to file their 2015 tax return. It is not necessary to wait for Forms 1095-B or 1095-C in order to file. Taxpayers may instead rely on other information about their health coverage and employer offer to prepare their returns.

Note: These new forms should not be attached to your income tax return.

Individual Shared Responsibility Provision

The individual shared responsibility provision requires everyone on your tax return (you, your spouse, and dependents) to have qualifying health care coverage for each month of the year or have a coverage exemption. Otherwise, you may be required to make an individual shared responsibility payment.

The key elements of the individual shared responsibility provision are as follows:

- If you maintain qualifying healthcare coverage for the entire year, you don't need to do anything more than report that coverage on your federal income tax return by simply checking a box. Qualifying coverage includes most employer-sponsored coverage, coverage obtained through a Health Insurance Marketplace, coverage through most government-sponsored programs, as well as certain other specified health plans.

- If you go without coverage or experience a gap in coverage, you may qualify for an exemption from the requirement to have coverage (see below). If you qualify for an exemption, use Form 8965, *Health Coverage Exemptions*, to report a coverage exemption granted by the Marketplace or to claim a coverage exemption on your tax return.

  If for any month during the year you don't have qualifying coverage and you don't qualify for an exemption, you will have to make an individual shared responsibility payment when you file your federal income tax return.

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- The payment amount for 2015 is the greater of 2 percent of the household income above the taxpayer's filing threshold, or $325 per adult plus $162.50 per child (limited to a family maximum of $975). This payment is capped at the cost of the national average premium for a bronze level health plan available through Marketplaces that would provide coverage for the taxpayer's family members that neither had qualifying coverage nor qualify for a coverage exemption.

  The instructions for Form 8965, *Health Coverage Exemptions*, provide the information needed to calculate the payment that will be reported on your federal income tax return.

Health Coverage Exemptions

Individuals who go without coverage or experience a gap in coverage may qualify for an exemption from the requirement to have coverage.

- You may qualify for an exemption if one of the following applies:
  - You do not have access to affordable coverage
  - You have a one-time gap of less than three consecutive months without coverage
  - You qualify for one of several other exemptions, including a hardship exemption

How you get an exemption depends on the type of exemption. You can obtain some exemptions only from the Marketplace in the area where you live, others only from the IRS when filing your income tax return, and others from either the Marketplace or the IRS.

If you qualify for an exemption, you use Form 8965 to report a coverage exemption granted by the Marketplace or to claim a coverage exemption on your tax return.

Premium Tax Credit

The premium tax credit (PTC) is a credit that helps eligible individuals and families with low or moderate income afford health insurance purchased through the Health Insurance Marketplace. Claiming the premium tax credit may increase your refund or lower the amount of tax that you would otherwise owe.

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If you did not get advance credit payments in 2015, you can claim the full benefit of the premium tax credit that you are allowed when you file your tax return. You must file Form 8962 to claim the PTC on your tax return.

More Information

Please call the office is you would like more information about the premium tax credit or the individual shared responsibility payment.

Estimated Tax Payments: Q & A

Estimated tax is the method used to pay tax on income that is not subject to withholding. This includes income from self-employment, interest, dividends, alimony, rent, gains from the sale of assets, prizes and awards. You also may have to pay estimated tax if the amount of income tax being withheld from your salary, pension, or other income is not enough. If you do not pay enough by the due date of each payment period you may be charged a penalty even if you are due a refund when you file your tax return.

How do I know if I need to file quarterly individual estimated tax payments?

If you owed additional tax for the prior tax year, you may have to make estimated tax payments for the current tax year. The first estimated payment for 2016 is due April 18, 2016.

If you are filing as a sole proprietor, partner, S corporation shareholder, and/or a self-employed individual, you generally have to make estimated tax payments if you expect to owe tax of $1,000 or more when you file your return.

If you are filing as a corporation you generally have to make estimated tax payments for your corporation if you expect it to owe tax of $500 or more when you file its return.

If you had a tax liability for the prior year, you may have to pay estimated tax for the current year; however, if you receive salaries and wages, you can avoid

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having to pay estimated tax by asking your employer to withhold more tax from your earnings.

Note: There are special rules for farmers, fishermen, certain household employers, and certain higher taxpayers.

Who Does Not Have To Pay Estimated Tax

You do not have to pay estimated tax for the current year if you meet all three of the following conditions:

- You had no tax liability for the prior year
- You were a U.S. citizen or resident for the whole year
- Your prior tax year covered a 12-month period

If you receive salaries and wages, you can avoid having to pay estimated tax by asking your employer to withhold more tax from your earnings. To do this, file a new Form W-4 with your employer. There is a special line on Form W-4 for you to enter the additional amount you want your employer to withhold.

You had no tax liability for the prior year if your total tax was zero or you did not have to file an income tax return.

How Do I Figure Estimated Tax?

To figure your estimated tax, you must figure out your expected adjusted gross income, taxable income, taxes, deductions, and credits for the year. If you estimated your earnings too high, simply complete another Form 1040-ES,*Estimated Tax for Individuals* worksheet to refigure your estimated tax for the next quarter. If you estimated your earnings too low, again complete another Form 1040-ES worksheet to recalculate your estimated tax for the next quarter.

Try to estimate your income as accurately as you can to avoid penalties due to underpayment. Generally, most taxpayers will avoid this penalty if they owe less than $1,000 in tax after subtracting their withholdings and credits, or if they paid at least 90 percent of the tax for the current year, or 100 percent of the tax shown on the return for the prior year, whichever is smaller.

Tip: When figuring your estimated tax for the current year, it may be helpful to use your income, deductions, and credits for the prior year as a starting point. Use your prior year's federal tax return as a guide and use the worksheet in Form 1040-ES to figure your estimated tax.

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You must make adjustments both for changes in your own situation and for recent changes in the tax law.

When Do I Pay Estimated Taxes?

For estimated tax purposes, the year is divided into four payment periods and each period has a specific payment due date. For the 2016 tax year, these dates are April 18, September 15, June 15, and January 17, 2017. You do not have to pay estimated taxes in January if you file your 2016 tax return by January 31, 2017, and pay the entire balance due with your return.

Note: If you do not pay enough tax by the due date of each of the payment periods, you may be charged a penalty even if you are due a refund when you file your income tax return.

The easiest way for individuals as well as businesses to pay their estimated federal taxes is to use the Electronic Federal Tax Payment System (EFTPS). Make ALL of your federal tax payments including federal tax deposits (FTDs), installment agreement and estimated tax payments using EFTPS. If it is easier to pay your estimated taxes weekly, bi-weekly, monthly, etc. you can, as long as you have paid enough in by the end of the quarter. Using EFTPS, you can access a history of your payments, so you know how much and when you made your estimated tax payments.

Please call if you are not sure whether you need to make an estimated tax payment or need assistance setting up EFTPS.

What Income is Taxable?

Are you wondering if there's a hard and fast rule about what income is taxable and what income is not taxable? The quick answer is that all income is taxable unless the law specifically excludes it. But as you might have guessed, there's more to it than that.

Taxable income includes any money you receive, such as wages and tips, but it can also include non-cash income from property or services. For example, both

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parties in a barter exchange must include the fair market value of goods or services received as income on their tax return.

Nontaxable Income

Here are some types of income that are usually not taxable:

- Gifts and inheritances
- Child support payments
- Welfare benefits
- Damage awards for physical injury or sickness
- Cash rebates from a dealer or manufacturer for an item you buy
- Reimbursements for qualified adoption expenses

In addition, some types of income are not taxable except under certain conditions, including:

- Life insurance proceeds paid to you because of the death of the insured person are usually not taxable. However, if you redeem a life insurance policy for cash, any amount that is more than the cost of the policy is taxable.
- Income from a qualified scholarship is normally not taxable. This means that amounts you use for certain costs, such as tuition and required books, are not taxable. However, amounts you use for room and board are taxable.
- If you received a state or local income tax refund, the amount may be taxable. You should have received a 2015 Form 1099-G from the agency that made the payment to you. If you didn't get it by mail, the agency may have provided the form electronically. Contact them to find out how to get the form. Be sure to report any taxable refund you received even if you did not receive Form 1099-G.

Important Reminders about Tip Income

If you get tips on the job from customers, that income is subject to taxes. Here's what you should keep in mind when it comes to receiving tips on the job:

- **Tips are taxable.** You must pay federal income tax on any tips you receive. The value of non-cash tips, such as tickets, passes or other items of value are also subject to income tax.

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- **Include all tips on your income tax return.** You must include the total of all tips you received during the year on your income tax return. This includes tips directly from customers, tips added to credit cards and your share of tips received under a tip-splitting agreement with other employees.
- **Report tips to your employer.** If you receive $20 or more in tips in any one month, from any one job, you must report your tips for that month to your employer. The report should only include cash, check, debit and credit card tips you receive. Your employer is required to withhold federal income, Social Security and Medicare taxes on the reported tips. Do not report the value of any noncash tips to your employer.
- **Keep a daily log of tips.** Use the Employee's Daily Record of Tips and Report to Employer (IRS Publication 1244), to record your tips.

Bartering Income is Taxable

Bartering is the trading of one product or service for another. Small businesses sometimes barter to get products or services they need. For example, a plumber might trade plumbing work with a dentist for dental services. Typically, there is no exchange of cash.

If you barter, the value of products or services from bartering is taxable income. Here are four facts about bartering that you should be aware of:

1. Barter exchanges. A barter exchange is an organized marketplace where members barter products or services. Some exchanges operate out of an office and others over the Internet. All barter exchanges are required to issue Form 1099-B, *Proceeds from Broker and Barter Exchange Transactions*. The exchange must give a copy of the form to its members who barter and file a copy with the IRS.

2. Bartering income. Barter and trade dollars are the same as real dollars for tax purposes and must be reported on a tax return. Both parties must report as income the fair market value of the product or service they get.

3. Tax implications. Bartering is taxable in the year it occurs. The tax rules may vary based on the type of bartering that takes place. Barterers may owe income taxes, self-employment taxes, employment taxes or excise taxes on their bartering income.

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4. Reporting rules. How you report bartering on a tax return varies. If you are in a trade or business, you normally report it on Form 1040, Schedule C, *Profit or Loss from Business*.

If you have any questions about taxable and nontaxable income, don't hesitate to contact the office.

Ten Facts About Capital Gains and Losses

Did you know that almost everything you own and use for personal or investment purposes is a capital asset? Capital assets include a home, household furnishings, and stocks and bonds held in a personal account.

When you sell a capital asset, the difference between the amount you paid for the asset and its sales price is known as a capital gain or capital loss. Here are ten facts you should know about how gains and losses can affect your federal income tax return.

1. Capital Assets. Almost everything you own and use for personal purposes, pleasure or investment is a capital asset including property such as your home or car, as well as investment property, such as stocks and bonds.

2. Gains and Losses. A capital gain or loss is the difference between your basis and the amount you get when you sell an asset. Your basis is usually what you paid for the asset. You must report all capital gains on your tax return.

3. Net Investment Income Tax. You may be subject to the Net Investment Income Tax (NIIT) on your capital gains if your income is above certain amounts. The rate of this tax is 3.8 percent. For additional information about the NIIT, please call the office.

4. Deductible Losses. You can deduct capital losses on the sale of investment property. You cannot deduct losses on the sale of property that you hold for personal use.

5. Limit on Losses. If your capital losses are more than your capital gains, you can deduct the difference as a loss on your tax return to reduce other income,

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such as wages. This loss is limited to $3,000 per year or $1,500 if you are married and file a separate return.

6. Carryover Losses. If your total net capital loss is more than the limit you can deduct, you can carry it over to next year's tax return.

7. Long and Short Term. Capital gains and losses are treated as either long-term or short-term, depending on how long you held the property. If you hold the property more than one year, your capital gain or loss is long-term. If you hold it one year or less, the gain or loss is short-term.

8. Net Capital Gain. If your long-term gains are more than your long-term losses, the difference between the two is a net long-term capital gain. If your net long-term capital gain is more than your net short-term capital loss, you have a net capital gain. Subtract any short-term losses from the net capital gain to calculate the net capital gain you must report.

9. Tax Rate. The tax rates that apply to net capital gain depend on your income but are generally lower than the tax rates that apply to other income. The maximum tax rate on a net capital gain is 20 percent. However, for most taxpayers a zero or 15 percent rate will apply. A 25 or 28 percent tax rate can also apply to certain types of net capital gain such as unrecaptured Sec. 1250 gains (25 percent) and collectibles (28 percent).

10. Forms to File. You often will need to file Form 8949, *Sales and Other Dispositions of Capital Assets*, with your federal tax return to report your gains and losses. You also need to file Schedule D, *Capital Gains and Losses*, with your tax return.

Please call the office if you need more information about reporting capital gains and losses.

Parents: Don't Miss Out on These Tax Savers

If you have children, you may be able to reduce the amount of taxes owed for the year using tax credits and deductions. Here are several tax benefits you might be able to take advantage of when you file your federal tax return:

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- **Dependents.** In most cases, you can claim your child as a dependent. You can deduct $4,000 for each dependent you are entitled to claim. You must reduce this amount if your income is above certain limits.
- **Child Tax Credit.** You may be able to claim the Child Tax Credit for each of your qualifying children under the age of 17. The maximum credit is $1,000 per child. If you get less than the full amount of the credit, you may be eligible for the Additional Child Tax Credit.
- **Child and Dependent Care Credit.** You may be able to claim this credit if you paid for the care of one or more qualifying persons. Dependent children under age 13 are among those who qualify. You must have paid for care so that you could work or look for work.
- **Earned Income Tax Credit.** You may qualify for EITC if you worked but earned less than $53,267 last year. You can get up to $6,242 in EITC. You may qualify for the EITC with or without children.
- **Adoption Credit.** You may be able to claim a tax credit for certain costs you paid to adopt a child.
- **Education Tax Credits.** An education credit can help you with the cost of higher education. Two credits are available--The American Opportunity Tax Credit and the Lifetime Learning Credit--and they may reduce the amount of tax you owe. If the credit reduces your tax to less than zero, you may get a refund. Even if you don't owe any taxes, you still may qualify; however, you must complete Form 8863, Education Credits, and file a return to claim these credits.
- **Student Loan Interest.** You may be able to deduct interest you paid on a qualified student loan. You can claim this benefit even if you do not itemize your deductions.
- **Self-employed Health Insurance Deduction.** If you were self-employed and paid for health insurance, you may be able to deduct premiums you paid during the year. This may include the cost to cover your children under age 27, even if they are not your dependent. Please call the office for additional details.

Do not hesitate to contact the office if you have any questions about these and any other tax credits and deductions that you are entitled to under federal and state tax codes.

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Cut your Tax Bill with Home Energy Credits

Did you know that it's possible to trim your tax bill and save on your energy bills with certain home improvements? Here are some key facts you should know about home energy tax credits:

Non-Business Energy Property Credit

- Part of this credit is worth 10 percent of the cost of certain qualified energy-saving items you added to your main home last year. This may include items such as insulation, windows, doors and roofs.
- The other part of the credit is not a percentage of the cost. It is for the actual cost of certain property. This may include items like water heaters and heating and air conditioning systems. The credit amount for each type of property has a different dollar limit.
- This credit has a maximum lifetime limit of $500. You may only use $200 of this limit for windows.
- Your main home must be located in the U.S. to qualify for the credit.
- Be sure you have the written certification from the manufacturer that their product qualifies for this tax credit. It is usually posted on the manufacturer's website or included with the product's packaging. You can use this information to claim the credit, but do not attach it to your return. Keep it with your tax records.
- You may claim the credit on your 2015 tax return as long as you haven't exceeded the lifetime limit in past years. Under current law, this credit is available through Dec. 31, 2016.

Residential Energy Efficient Property Credit

- This tax credit is 30 percent of the cost of alternative energy equipment installed on or in your home.
- Qualified equipment includes solar hot water heaters, solar electric equipment, wind turbines and fuel cell property.
- There is no dollar limit on the credit for most types of property. If your credit is more than the tax you owe, you can carry forward the unused portion of this credit to next year's tax return.

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- The home must be in the U.S. It does not have to be your main home unless the alternative energy equipment is qualified fuel cell property.
- This credit is available through 2016.

To claim these credits use Form 5695, *Residential Energy Credits*. If you would like more information on this topic, don't hesitate to contact the office.

Tax Tips for the Self-Employed

If you are a self-employed, you normally carry on a trade or business. Sole proprietors and independent contractors are two types of self-employment. If this applies to you, there are a few basic things you should know about how your income affects your federal tax return. If you're self-employed, here are six important tax tips you should know about:

- **Self-Employment Income.** Self-employment can include income you received for part-time work. This is in addition to income from your regular job.
- **Schedule C or C-EZ.** You must file a Schedule C, *Profit or Loss from Business*, or Schedule C-EZ, *Net Profit from Business*, with your Form 1040. You may use Schedule C-EZ if you had expenses less than $5,000 and meet certain other conditions. Please call if you are not sure whether you can use this form.
- **Self-Employment Tax.** If you made a profit, you may have to pay self-employment tax as well as income tax. Self-employment tax includes Social Security and Medicare taxes. Use Schedule SE, *Self-Employment Tax*, to figure the tax. If you owe this tax, attach the schedule to your federal tax return.
- **Estimated Tax.** You may need to make estimated tax payments. These payments are typically made on income that is not subject to withholding. You usually pay estimated taxes in four annual installments. If you do not pay enough tax throughout the year, you may owe a penalty.

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See, *Estimated Tax Payments - Q & A*, above, for more information about estimated tax payments.

- **Allowable Deductions.** You can deduct expenses that you paid to run your business that are both ordinary and necessary. An ordinary expense is one that is common and accepted in your industry. A necessary expense is one that is helpful and proper for your trade or business.
- **When to Deduct.** In most cases, you can deduct expenses in the same year you paid, or incurred them. However, you must 'capitalize' some costs. This means you can deduct part of the cost over a number of years.

Questions about self-employment taxes? Help is just a phone call away.

Tax Due Dates for April 2016

April 11

Employees who work for tips - If you received $20 or more in tips during March, report them to your employer. You can use Form 4070.

April 18

Individuals - File an income tax return for 2015 (Form 1040, 1040A, or 1040EZ) and pay any tax due. If you want an automatic 6-month extension of time to file the return, file Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return or you can get an extension by phone if you pay part or all of your estimate of income tax due with a credit card. Then file Form 1040, 1040A, or 1040EZ by October 17.

Household Employers - If you paid cash wages of $1,900 or more in 2015 to a household employee, file Schedule H (Form 1040) with your income tax return and report any employment taxes. Report any federal unemployment (FUTA) tax on Schedule H if you paid total cash wages of $1,000 or more in any calendar quarter of 2014 or 2015 to household employees. Also report any income tax you withheld for your household employees.

Individuals - If you are not paying your 2016 income tax through withholding (or will not pay in enough tax during the year that way), pay the first installment of your 2016 estimated tax. Use Form 1040-ES.

Partnerships - File a 2015 calendar year return (Form 1065). Provide each partner with a copy of Schedule K-1 (Form 1065), Partner's Share of Income, Credits, Deductions, etc., or a substitute

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Schedule K-1. If you want an automatic 5-month extension of time to file the return and provide Schedule K-1 or a substitute Schedule K-1, file Form 7004. Then file Form 1065 by September 15.

Electing Large Partnerships - File a 2015 calendar year return (Form 1065-B). If you want an automatic 6-month extension of time to file the return, file Form 7004. Then file Form 1065-B by October 17. March 15 was the due date for furnishing the Schedules K-1 to the partners.

Corporations - Deposit the first installment of estimated income tax for 2016. A worksheet, Form 1120-W, is available to help you estimate your tax for the year.

Employers - Nonpayroll withholding. If the monthly deposit rule applies, deposit the tax for payments in March.

Employers - Social Security, Medicare, and withheld income tax. If the monthly deposit rule applies, deposit the tax for payments in March.

May 2

Employers - Social Security, Medicare, and withheld income tax. File form 941 for the first quarter of 2016. Deposit any undeposited tax. (If your tax liability is less than $2,500, you can pay it in full with a timely filed return.) If you deposited the tax for the quarter in full and on time, you have until May 10 to file the return.

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