

## Frequently Asked Questions: Penalty Waivers for Quarterly Estimated Taxes (Self-Employed Filers)

### What are quarterly estimated taxes?

If you are self-employed, you likely do not have taxes withheld from your income. Instead, you are required to pay estimated taxes four times a year to cover your income tax, self-employment tax (Social Security and Medicare), and state and local income taxes. These payments are due in April, June, September, and January.

### What happens if I miss a quarterly payment?

If you miss or underpay a quarterly estimated tax payment, you can always make it up in the last quarter. If not, the IRS, New York State, and, in some cases, New York City may assess a failure-to-pay estimated tax penalty. This is usually a percentage of the underpaid amount, calculated based on how late the payment was made.

### Can I get a penalty waived?

Federal, state, and city tax authorities all offer some form of penalty relief under specific circumstances. Each has its own rules, forms, and requirements. Below is a summary of how to seek penalty relief at each level:

#### Federal (IRS) Penalty Waiver

1. [Waiver of Estimated Tax Penalty \(Form 2210\)](#)

You can request a waiver directly on IRS Form 2210 if:

- You retired after reaching age 62 or became disabled during the year.
- You had uneven income (e.g., a larger payment later in the year).
- Your underpayment was due to a casualty, disaster, or other unusual circumstances.

Form 2210 allows you to calculate a penalty for underpaying estimated taxes throughout the year and to request a waiver of that penalty when filing your tax return.

2. [First-Time Penalty Abatement \(Form 843\)](#)

First Time Abate may apply if:

- You were required to make estimated payments for the first time and did not know you needed to.
- You have a clean filing and payment history for the past three years.
- You filed all required returns or have valid extensions.

### 3. [Reasonable Cause Relief](#)

You may also qualify for “Reasonable Cause Relief” if you missed or underpaid a quarterly payment due to circumstances beyond your control, such as:

- Serious illness, family emergency, or disaster
- Inaccessibility of records or an honest mistake

#### **How to Apply**

- File Form 2210 with your annual return for penalty calculation or waiver
- File Form 843 or call the IRS if you have already received a penalty notice
- Include a written explanation for Reasonable Cause Relief

#### **What if the IRS already charged me with a penalty?**

- Check [Notice CP30](#) or similar IRS notices for the amount and reason.
- If you believe you qualify for relief, call the IRS or file Form 843 or Form 2210.
- Be prepared to provide documentation and a clear explanation of your circumstances.

#### **New York State Penalty Waiver**

##### 1. Reasonable Cause Abatement

NYS may waive penalties for missed estimated payments if you demonstrate:

- A serious illness, casualty, or natural disaster
- Inability to obtain records
- Honest misunderstanding of the rules
- You acted with “ordinary business care and prudence”

##### 2. Informal First-Time Relief

While NYS has no formal one-time abatement program, penalty relief may be granted if:

- You are new to quarterly filing
- You have had a good recent tax record
- You are otherwise compliant

New York State may consider waiving penalties once for new filers or those with a strong compliance history. However, repeat abatement requests are unlikely to be approved unless there is a compelling case and supporting documentation.

### How to Apply

- Attach a written request with your annual return (Form IT-201 or IT-203)
- Contact NYS Department of Taxation and Finance through your [Online Services account](#)

For more information, refer to the [NYS Penalty Abatement Guide](#).

### New York City (UBT & Local Taxes) Penalty Relief

If you're subject to [NYC's Unincorporated Business Tax](#) (UBT) and missed estimated payments, you may request penalty relief by writing to the Department of Finance.

Relief may be granted for:

- Reasonable cause (e.g., illness, death, fire, disaster)
- Mathematical or clerical error
- First-time error, if supported by a good compliance history

### How to Apply

- Submit a signed letter with your NYC UBT return or separately
- Include documentation and a clear explanation
- First-time error, if supported by a good compliance history

### How can I avoid estimated tax penalties in the future?

- Use [Form 1040-ES](#) (IRS) and [Form IT-2105](#) (NYS) to calculate quarterly payments
- Set aside 25–35% of your self-employment income for taxes
- Keep records of all payments and correspondence
- Work with a tax professional to adjust your estimates mid-year if income fluctuates