



Estimated Taxes for Startup Founders

ALAJIAN GROUP INC



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Hey, I'm Armine!

As a new Startup Founder, you're inevitably going to have someone ask you, "So, you're paying estimated taxes, right?"

Estimated taxes get brought up all the time in startup founder circles, but I've noticed there is A LOT of misinformation out there about whether you actually need to pay them, how much to pay, and what you're risking if you skip them entirely.

My guide is intended to help you answer that first question *confidently* and know you're not going to be on the hook for penalties.

Disclaimer: This guide is for educational purposes only and does not constitute tax, legal, or financial advice.

Who Pays Estimated Taxes?

The IRS has a pay-as-you-go system, meaning they expect you to pay taxes as you earn income throughout the year.

When you're a W-2 employee, you usually don't have to worry about this since your employer withholds your federal income taxes from your paycheck.

But when you're self-employed (*or earn other taxable income that's not subject to withholdings*), all of a sudden, you're the one responsible for making sure the IRS gets their quarterly checks.

Here's what the IRS officially has to say:

Individuals (*including sole proprietors, partners, and S corporation shareholders*) generally need to pay estimated taxes if they expect to owe tax of \$1,000 or more after deductions and credits.



Estimated Tax Due Dates

- + April 15th
for income earned Jan 1 - Mar 31
- + June 15th
for income earned Apr 1 - May 31
- + September 15th
for income earned Jun 1 - Aug 31
- + January 15th
for income earned Sep 1 - Dec 31

If the estimated tax due date falls on a weekend or legal holiday, the due date moves to the next business day.



How Much Should You Pay?

I wish I could tell you a magic percentage of your net income to pay in estimated taxes and call it a day, but it's not that simple. **The best way to know how much you should pay is to have your tax accountant prepare Form 1040-ES.** Factors like your income, filing status, deductions, and credits make every startup founder's number different.

The percentages I *can* give you are how to stay out of penalty territory. To avoid underpayment penalties, you generally need to pay:

- 90% of this year's total tax, or
- 100% of last year's total tax*

These are called your safe harbor amounts!

One thing I want to make very clear:

Making your safe harbor payments protects you from penalties, but it doesn't mean you won't owe any taxes when you file!

**If your AGI was over \$150k (or \$75k MFS), replace 100% with 110% of the tax shown on last year's tax return.*

How To Pay

- + IRS Direct Pay
- + Debit or credit card
- + Apply prior-year overpayment
- + Mail a check or money order with Form 1040-ES
- + IRS2Go app
- + EFTPS
- + Same-day wire

For mailed payments, the IRS generally considers the postmark date as your payment date!

A vertical photograph on the left side of the page shows a person's hands typing on a silver laptop keyboard. The person is wearing a white shirt and a pearl necklace. The background is a light-colored wall.

Underpayment Penalties

Missing an estimated tax payment isn't the end of the world, but what'll make the biggest difference is how quickly you fix your mistake.

Underpayment penalties are calculated for each quarter by taking the amount you underpaid and applying the IRS's interest rate for the number of days it's late.

That means the sooner you pay, the less interest accrues.

Two other things to know:

Generally, W-2 withholding is treated as if it were paid evenly throughout the year. Adjusting your withholdings can sometimes help fix underpayment issues.

If your income fluctuates significantly during the year, Form 2210 lets you use the annualized income method so that your penalty is calculated based on when you *actually* earned the income.

Wait, there's more?!

If you live in a state with state income tax, you probably need to worry about state estimated taxes too.

More than once, I've seen a taxpayer prepare for their federal estimated payments perfectly, then get surprised by a state underpayment notice later.

Your state's deadlines could match the federal ones... or they might not!

Some states don't even follow federal safe harbor guidelines, so you have to be extra careful to avoid penalties.



Let's Connect!

I'm passionate about helping startup founders understand their numbers, stay organized with their finances, reduce tax liabilities, and build stronger, more profitable businesses.

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