

NAME:

EIN:

708

UNDERPAYMENT OF ESTIMATED TAX BY CORPORATIONS

Attach to your tax return

PART 1. How to compute the underpayment.

- 1. Net income tax from Schedule A, line 10, Form 0405-611, 0405-611SF or 0405-650
2. Personal holding company tax included in Schedule D, line 4g, Form 0405-611 or 0405-650, or line 4, Form 0405-611SF
3. Subtract line 2 from line 1. If the result is less than \$500, do not complete the rest of this form. No penalty is due
4. (a) Enter 100% of line 3
(b) Enter 100% of the tax shown on your return for the previous year if tax was reported (See instructions)
(c) Enter the lesser of line 4(a) or line 4(b)

- 5. Enter in columns A through D the installment due dates (the 15th day of the 4th, 6th, 9th and 12th months of the tax year)
6. Enter 25% of line 4(c) in columns A through D unless (a) or (b) below applies to the corporation:
(a) If you use the annualized income installment method and/or the adjusted seasonal installment method, check here [] and enter the required installment. (Attach federal worksheet with Alaska numbers)
(b) If you are a "large corporation", check this box [] and see the instructions for the amount to enter in each column of line 6
7. Amount paid or credited for each period (For column A only, enter the amount from line 7 on line 11)

Table with 4 columns (A, B, C, D) and multiple rows for installment due dates and calculations.

Complete lines 8 through 14 for one column before completing the next column.

- 8. Enter the amount, if any, from line 14 of the previous column
9. Add lines 7 and 8
10. Add amounts on lines 12 and 13 of the preceding column
11. Subtract line 10 from line 9. If less than zero, enter zero. (For column A only, enter the amount from line 7)
12. Remaining underpayment from previous period. If the amount on line 11 is zero, subtract line 9 from line 10 and enter the result. Otherwise, enter zero
13. Underpayment. If line 11 is less than or equal to line 6, subtract line 11 from line 6, enter the result, compute the penalty in Part 2, and then go to line 8 of the next column. Otherwise, go to line 14
14. Overpayment. If line 6 is less than line 11, subtract line 6 from line 11 and enter the result. Then go to line 8 of the next column

PART 2. How to compute the penalty.

- 15. Enter the date of payment or the 15th day of the 3rd month after the close of the tax year, whichever is earlier. (See instructions)
16. Number of days from the due date of the installment on line 5 to the date shown on line 15
17. Number of days on line 16 divided by the number of days in the tax year times the applicable rate (see instructions) times the amount on line 13
18. Add amounts on line 17, columns A through D. Enter here and on Schedule A, line 14 of Form 0405-611, 0405-611SF or 0405-650

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INSTRUCTIONS

Underpayment of Estimated Tax by Corporations

PURPOSE OF THE FORM

Corporations use Form 0405-708 to determine whether they are subject to the penalty for underpayment of estimated tax and, if so, the amount of the penalty.

WHO MUST PAY THE UNDERPAYMENT PENALTY

If the corporation did not pay sufficient estimated tax by any due date for paying estimated tax, it may be charged a penalty. This is true even if the corporation is due a refund when its return is filed. The penalty is computed separately for each installment due date. Therefore, the corporation may owe a penalty for an earlier installment due date, even if it paid enough tax later to make up the underpayment.

Generally, a corporation is subject to the penalty if its tax liability is \$500 or more and it did not pay on time the lesser of: 100% of its tax liability for this tax year, or 100% of its tax liability for the previous tax year, if a return was filed showing a tax liability, and it covered a full 12 months. (A large corporation may base only its first required installment on 100% of the prior year's tax liability.) A corporation may be able to reduce or eliminate the penalty by using the annualized income or adjusted seasonal installment method.

HOW TO USE THIS FORM

Complete Part 1 of Form 0405-708 to determine if there is an underpayment for any of the four installment due dates. If there is an underpayment on line 13 (column A, B, C or D), go to Part 2, How to Compute the Penalty. Attach Form 0405-708 to the income tax return (Form 0405-611, 0405-611SF or 0405-650).

Part 1: How to Compute the Underpayment

Complete lines 1 through 14 in Part 1. The instructions for most of these lines are on the form itself. For other lines, follow the instruction below.

Line 4(b): Compute your previous year's tax in the same way that the amount on line 3 of this form was determined, using the taxes and credits from your previous year's tax return. If you did not file an Alaska return showing a tax liability for the previous tax year, or if that tax year was for less than 12 months, do not complete this line. Instead, enter the amount from line 4(a) on line 4(c).

Line 6(a): Annualized income installment method or adjusted seasonal installment method: If the corporation's income varied during the year because, for example, it operated its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method. The annualized income installment or adjusted seasonal installment may be less than the required installment under the regular method for one or more due dates, thereby reducing or eliminating the penalty for those due dates.

To use one or both of these methods to compute one or more required installments, use the worksheet for federal Form 2220, using Alaska figures, rates, and computations. If you use the worksheet for any payment date, you must use it for all payment due dates.

Line 6(b): Large corporations: A large corporation is one that it or its predecessor had \$1 million or more of Alaska taxable income for any of the three tax years immediately preceding the tax year involved. For this purpose, taxable income does not include net operating loss or capital loss carrybacks or carryovers. Members of a controlled group, as defined in IRC Section 1563, must divide the \$1 million among themselves in accordance with IRC Section 1561.

If you are not using the annualized income installment method or adjusted seasonal installment method, follow the instructions below to compute the amount to enter on line 6. Also check the box on line 6(b).

If line 4(a) is less than line 4(b), enter 25% of line 4(a) in columns A through D.

If line 4(b) is less than line 4(a), in column A enter 25% of line 4(b). In column B, determine the amount to enter by:

- (i) subtracting line 4(b) from line 4(a),
- (ii) adding the result to the amount on line 4(a), and
- (iii) multiplying the total by 25%

In columns C and D, enter 25% of line 4(a).

Line 7: In column A, enter the estimated tax payments deposited by the 15th day of the 4th month of your tax year; in column B, enter payments made after the 15th day of the 4th month through the 15th day of the 6th month of your tax year; in column C, enter payments made after the 15th day of the 6th month through the 15th day of the 9th month of your tax year; and in column D, enter payments made after the 15th day of the 9th month through the 15th day of the 12th month of your tax year.

Generally, a prior year's overpayment will be applied against the earliest installment, unless the taxpayer instructs the Department otherwise.

Part 2: How to Compute the Penalty

Line 15: A payment of estimated tax is applied against underpayment of required installments in the order in which such installments are required to be paid, regardless to which installment the payment pertains. If the corporation has made more than one payment for a required installment, compute the penalty separately for each payment.

Line 17: Use Alaska interest rates. See General Instructions for Form 0405-611, 0405-611SF or 0405-650.