

2020 IRS 4th Quarter Estimated Tax Payments Are Due On January 15th. As An Overseas American, Should You Be Making One?

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3 min read



Overview: *US citizens who live and work abroad are subject to an annual US tax filing requirement on their worldwide income. This may mean a tax liability in your resident country as well as in the US. Many Americans are surprised to learn they have this additional US tax liability. Making an estimated tax payment will help you avoid additional underpayment penalties. The IRS expects to receive its tax throughout the year, through estimated tax payments. If you do not pay enough tax through the year, you may be charged an additional underpayment penalty, even if you are due a refund when you file your tax return.*

Who Must Make Estimated Tax Payments?

Have a quick glance at your 2019 US tax return. Specifically, look at the following lines of your [2019 Form 1040 page 1 & 2](#).

1. **Line 23:** Amount you owe – If this amount is above \$1,000 this would be a clue that you may need to make an estimated tax payment.
2. **Line 8b:** Adjusted Gross Income (AGI):
 - a. Below \$150,000: you need pay either 90% of 2020 income tax liability or 100% of 2019 tax liability

- b. Above \$150,000: make a payment of 110% of your 2019 tax liability or 90% of your 2020 income tax liability
3. **Line 16:** Total Tax – Use this amount to calculate your estimated tax payment based on your prior tax return, either 100% or 100% depending on your AGI
 - a. You may need to work with your accountant or financial planner to help you estimate your 2020 income tax liability before fully preparing and filing your 2020 return

*Even if you made estimated tax payments between 90-110% of your prior tax liability you may still have an additional tax bill due – this happens anytime your overall income increases significantly from one year to the next or if you have income that does not have foreign tax credits to offset the US tax liability. Making estimated tax payments will still help to reduce or eliminate an additional underpayment penalty.

How Do I Make the Payment?

Quarterly estimated tax payments are meant to be paid on the IRS schedule of April 15th, June 15th, September 15th, and January 15th. The IRS accepts the payment in the following ways:

1. Mail-in your [voucher](#) and check by [mail](#)
2. [Pay online](#)
3. Pay by [phone](#)
4. Pay using the [IRS2Go](#) app

If you are only making one payment for January 15th expect that it will be significantly larger than if you had broken payments up with the payment schedule.

Tracking Your Estimated Tax Payments

If you make an estimated tax payment be sure to keep a record of:

1. The date of the payment
2. The amount of the payment
3. The payment method

When you prepare your return, be sure to claim a credit for the estimated tax payments you have already made. If you do not keep accurate records it may take longer to process your return.