Reset Form

2021 CITY Underpayment of Estimated Income Tax

Issued under authority of Public Act 284 of 1964, as amended.

1. Filer's First Name	M.I.	Last Name	2. Filer's Full Social Security No. (Example: 123-45-6789)
			— —
If a Joint Return, Spouse's First Name	M.I.	Last Name	3. Spouse's Full Social Security No. (Example: 123-45-6789)
			— —

PART 1: ESTIMATED TAX REQUIRED FOR THE YEAR

4.	Enter prior year tax less credit for taxes paid to another city (Form 5118 or Form 5120). See instructions	4.	00
5.	Enter current year tax less credit for taxes paid to another city (Form 5118 or Form 5120). See instructions	5.	00
6.	Enter the smaller of lines 4 and 5.	6.	00
7.	Multiply amount on line 6 by 70% (0.7).	7.	00

	PAYMENT DUE DATES *NOTE: Complete lines 9 through 16 one column at a time.*	A April 15, 2021	B June 15, 2021	C Sept. 15, 2021	D Jan. 18, 2022
8.	Divide the amount on line 7 by four. Enter in each column.				
9.	**Enter estimated tax paid, withheld, paid by a partnership, and any overpayment carry forward from prior year. See instructions.**				
10.	Enter amount, if any, from line 16 of the previous column.				
11.	Add lines 9 and 10.				
12.	Add lines 14 and 15 of the previous column and enter the result here.				
13.	Subtract line 12 from line 11. If less than zero, enter "0" (For column A only, enter the amount from line 9.)				
14.	Remaining underpayment from previous period. If amount on line 13 is zero, subtract line 11 from line 12 and enter result here. Otherwise, go to line 15.				
15.	**UNDERPAYMENT.** If line 8 is greater than or equal to line 13, subtract line 13 from line 8 and enter the result here. Then go to line 9 of the next column. Otherwise, go to line 16.				
16.	**OVERPAYMENT.** If line 13 is greater than line 8, subtract line 8 from line 13 and enter here. Then go to line 9 of next column.				

PART 2: FIGURING THE INTEREST

17.	Underpayment from line 15.				
18.	a. Rate Period 1: 4.25%. April 15, 2021 - June 30, 2021. Computation starting date for this period:	April 15, 2021	June 15, 2021		
	b. Number of days from date on line 18a to the date line 17 was paid or June 30, 2021, whichever is earlier. If June 30 is earlier, enter 76 and 15 respectively.				
	c. 0.0001164 x days on line 18b x underpayment on line 17.				
19.	a. Rate Period 2: 4.25%. July 1, 2021 - Dec. 31, 2021. Computation starting date for this period:	June 30, 2021	June 30, 2021	Sept. 15, 2021	
	b. Number of days from date on line 19a to the date line 17 was paid or Dec. 31, 2021, whichever is earlier. If Dec. 31 is earlier, enter 184, 184 and 107 respectively				
	c. 0.0001164 x days on line 19b x underpayment on line 17.				

Continue on page 2.

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Filer's Full Social Security Number ___ ___

20.					
	a. Rate Period 3: 4.25%. Jan. 1, 2022 - June 30, 2022. Computation starting date for this period:	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021	Jan. 18, 2022
	b. Number of days from date on line 20a to the date line 17 was paid or April 18, 2022 whichever is earlier. If April 18 is earlier, enter 108, 108, 108 and 90 respectively.				
	c. 0.0001164 x days on line 20b x underpayment on line 17.				

21. **TOTAL INTEREST.** Add amounts on lines 18c, 19c and 20c in all columns. Enter the total interest here. 21. 00

PART 3: FIGURING THE PENALTY

	A April 15, 2021	B June 15, 2021	C Sept. 15, 2021	D Jan. 18, 2022
22. Subtract line 11 from line 8. If less than zero, enter "0". ..... 22.	00	00	00	00
23. Enter 25% (0.25) or 10% (0.10) (see instructions) 23.	%	%	%	%
24. Multiply amount on line 22 by line 23. ..... 24.	00	00	00	00

25. **TOTAL PENALTY.** Add line 24, columns A through D. Enter the total penalty here..... 25. 00

26. Add lines 21 and 25. This is the total penalty and interest due. 26. 00

ANNUALIZED INCOME WORKSHEET

Complete one column at a time. Line numbers refer to this Worksheet unless another form is listed.

NOTE: Use this worksheet only if using the annualized income installment method.

		A First 3 months 1-1 to 3-31-21	B First 5 months 1-1 to 5-31-21	C First 8 months 1-1 to 8-31-21	D 12 months 1-1 to 12-31-21
1. Enter total income subject to tax. See instructions.....	1.				
2. Annualization amounts	2.	4	2.4	1.5	1
3. **Annualized total income.** Multiply line 1 by line 2.....	3.				
4. Enter total exemption allowance. See instructions.....	4.				
5. Subtract line 4 from line 3.....	5.				
6. Multiply line 5 by current tax rate. See instructions	6.				
7. Enter credit for taxes paid to another city in each column.....	7.				
8. Tax after credits. Subtract line 7 from line 6 (if less than zero, enter "0").....	8.				
9. Multiply line 8 by 17.5% (1st period), 35% (2nd period), 52.5% (3rd period) and 70% (4th period). Enter the results in each column	9.	(line 8 x 17.5%)	(line 8 x 35%)	(line 8 x 52.5%)	(line 8 x 70%)
10. Enter combined amounts from line 16 of all previous columns	10.				
11. Subtract line 10 from line 9 (if less than zero, enter "0").....	11.				
12. Required quarterly payment. Divide the amount on line 7, page 1 by four and enter the result in each column.....	12.				
13. Enter the amount from line 15 of the previous column.....	13.				
14. Add lines 12 and 13.....	14.				
15. Subtract line 11 from line 14 (if less than zero, enter "0").....	15.				
16. **Required installments.** Enter the smaller of lines 14 or 11 here and on line 8, page 1.....	16.				

Instructions for Form 5338, *Underpayment of Estimated Income Tax*

Purpose

This form is used to compute penalty and interest for underpayment, late payment or failure to make payment of quarterly estimated payments. If you prefer not to file this form, Treasury will compute any applicable penalty and interest and bill you. Interest computed on this form and penalty charged for failing to file or underpaying estimated payments will be the same regardless of whether payment is received with the return or if Treasury sends a bill.

General Instructions

Note: If line 6 less your withholding and any payments made on your behalf by a partnership is less than $100, **STOP**. Do not complete this form.

Use this form to determine if penalty and interest are due for failing to make estimated payments or for underpaying the estimated tax due. Penalty and interest can be charged if the payment was insufficient or late in any quarter. This is true even if the return computes to a refund when filed. Interest and penalty are figured separately for each due date and may be due even if an earlier underpayment is made up with an overpayment later.

The estimated tax payments must be made timely, in four equal installments, and the sum of the installments must equal the lesser of:

- 70% of the current year tax, or
- 70% of the prior year tax

Penalty and interest may be avoided and this form should not be filed IF:

- The preceding year had no tax liability (if required to file), or you were not required to file.
- The total tax after withholding and credits is $100 or less.
- Estimated payments were received in four equal, timely installments and were at least 70% of the current or prior year tax.

Annualizing

If income is received unevenly during the year (e.g., from a seasonal business, capital gain, severance pay or bonus) the Annualized Income Worksheet may be completed.

Complete the Annualization Income Worksheet before completing Parts 1 through 3 of Form 5338. Include the City of Detroit Income Tax Return (Form 5118, 5119 or 5120).

Where to Get Forms

If you are required to make estimated tax payments visit **www.michigan.gov/citytax** to obtain *2022 City Estimated Individual Income Tax Voucher* (Form 5123).

Line-by-Line Instructions

Before completing Part 1, verify that the total tax after withholding and credits is more than $100. If the result is $100 or less, do not complete this form.

Part 1: Estimated Tax Required for the Year

Line 4: Enter the amount of tax from the immediately preceding tax year less credit for taxes paid to another city. If no prior year return was required or you had no liability, enter zero; penalty and interest for underpayment of estimated income tax is not applicable.

Line 5: The City of Detroit Income Tax Return (Form 5118, 5119 or 5120) must be completed prior to completion of this form. Enter the amount of the current year tax less credit for taxes paid to another city. If $100 or less, do not complete this form.

Line 9: Enter estimated payments made during the quarter and one-fourth of your total withholding and taxes paid by partnerships. One-fourth of your total withholding and taxes paid by partnership are considered paid in each quarter.

In column A, enter payments made on or before April 15, 2021. Column A will also include any overpayment from 2020 that has been credited forward to 2021, to be applied to the first installment.

In column B, enter payments made after April 15, 2021 and through June 15, 2021. In column C, enter any payments made after June 15, 2021 and through September 15, 2021. In column D, enter any payments made after September 15, 2021 and through January 18, 2022.

Note: Do not enter extension payments on this form. Any payments received after January 18, 2022 are not considered estimated tax payments for tax year 2021.

Part 2: Figuring the Interest

Part 2 computes interest to April 18, 2022, or the date of payment, whichever is earlier. This part of the form breaks down the underpayments to the payment period they are due, then gives the interest rate for that period. Interest is figured for the number of days the installments remained unpaid. All payments are applied to any underpayment first, regardless of when the payment is received. The balance (if any) is applied to the next period.

Note: Complete lines 9 through 20 for column A before going to column B, etc. Only complete each column to the date the payment was made. If the total underpayment for any period was not paid with one payment, several calculations may be required. Include a separate sheet if necessary.

Example: Your tax due each period is $2,000. You have an underpayment of $1,000 for the first period (due April 15). On June 10 you send $2,000 to pay the second installment. But, $1,000 of this payment goes toward your $1,000 underpayment first. Interest is computed on $1,000 from April 15 to June 10 (56 days). The remaining $1,000 is applied to your second installment payment, creating a second period underpayment of $1,000.

Interest will continue to accrue on this $1,000 until another payment is received.

Interest rates are set by Treasury twice each year for six-month periods starting January 1 and July 1. The rate is 1 percent above the prime rate in Michigan. For example, if the Michigan prime rate is 5 percent, your interest rate for completing Form 5338 is 6 percent for that six-month period. For current interest rates, visit our website at **www.michigan.gov/taxes.**

Part 3: Figuring the Penalty

Line 23: Enter 25 percent if estimated tax payments were not made or 10 percent if estimated tax payments were made during the tax year.

Line 24: Multiply amount on line 22 by amount on line 23.

Note: Penalty is 25 percent of the tax due (minimum $25 per quarter) for failing to file estimated payments or 10 percent (minimum $10 per quarter) for failing to pay enough with your estimates or paying late.

Annualized Income Worksheet

You may use the Annualized Income Worksheet to calculate the amount of estimates due when income is not evenly distributed throughout the tax year.

Completing the Worksheet

You must annualize for the entire year by completing all four columns. Complete one column at a time. Line 1 must be the year-to-date total for each period in the appropriate column. Each column is an accumulating total and should include the amount from the previous column plus any additional income earned to date. The last column should equal the amount of income subject to tax.

Example: In the first three months of the year $5,000 is earned. An additional $4,000 is earned during April and May. Enter on the worksheet, line 1 $5,000 in the first column and $9,000 in the second column.

Each entry on line 12 of the Annualized Income Worksheet will be calculated from Form 5338 Part 1, line 7, divided by four regardless of how the income is earned. The sum of line 16 of the Annualized Income Worksheet should equal Form 5338 Part 1, line 7.

Line-by-Line Instructions

Line 1: Enter total income earned in the period identified in each column. Each column is accumulating and should include the previous column plus any additional income earned to date. The total of line 1, column D must equal the total amount of income subject to tax. This amount should match the amount reported on line 13 from Form 5118, line 16 from Form 5119, or line 29 from Form 5120.

Line 4: Enter total exemption allowance claimed on Form 5118 line 14, Form 5119 line 17, or Form 5120 line 30.

Line 6: Enter current tax rate from the City of Detroit Income Tax Return.

- Resident - 2.4%
- Nonresident - 1.2%
- Part-year residents should use the appropriate rate based on residency status during the quarter.

Line 16: Enter the smaller of lines 14 or 11, and enter the result on line 8, page 1. See instructions for Parts 1 through 3 to complete the form.