

Form 2210AL is designed to calculate underpayment of estimated tax penalty as prescribed in Section 40-2A-11 and 40-18-80 of the *Code of Alabama 1975*.

Who Must Pay the Underpayment Penalty

In general, you may owe the penalty for 2024 if the total of your withholding and timely estimated tax payments did not equal at least the smaller of:

1. 90% of your 2024 tax, or
2. 100% of your 2023 tax. (Your 2023 tax return must cover a 12-month period.)

Special rules for certain individuals. Different percentages are used for farmers and fishermen, certain higher income taxpayers, and qualified individuals with small businesses.

Farmers and fishermen. If at least two-thirds of your gross income for 2024 is from farming and fishing, complete Part IV of Form 2210AL.

Higher income taxpayers. If your adjusted gross income (AGI) for 2024 was more than \$150,000 (\$75,000 if your 2024 filing status is married filing separately), substitute 110% for 100% in (2) above.

Specific Instructions

Before calculating either of the penalties on Form 2210AL, you will need a copy of both your 2023 and 2024 Alabama income tax returns.

NOTE: Please round all amounts to the nearest whole dollar.

If you are a farmer or fisherman and at least two-thirds of your 2023 or 2024 gross income is from farming or fishing, check the box at the top of form and skip Parts I, II, and III. Complete Part IV of this form.

PART I: UNDERPAYMENT PENALTY

If you meet **all** of the criteria for the Underpayment Penalty, you should complete Form 2210AL to determine the amount of penalty due. There is one method available for calculating this penalty – the **Regular Method** from **Part III**. When using the Regular Method, you must select from one of two options for calculating your quarterly income: (1) the *Annualized Income Installment Method* from **Schedule AI** or (2) one-quarter (25%) of your *Required Annual Payment* (Part I, Line 6). Selecting one of these options is necessary to calculate the required installments needed to compute your underpayment (Part III). The underpayment amounts will then be used to calculate the penalty.

PART I – Required Annual Payment

If you are subject to the underpayment penalty, **you must complete** Part I in order to determine the amount of your *Required Annual Payment*. The *Required Annual Payment* will be needed to calculate the underpayment penalty regardless of the method chosen for calculating the underpayment.

Follow the line-by-line instructions in Part I to compute the amount of your *Required Annual Payment*. If the Alabama income tax withheld plus any estimated taxes paid for 2024 is equal to or greater than 90% of your current year liability or 100% of your previous year's tax liability, you are not subject to an underpayment penalty, and are not required to file this form.

Once you have calculated your *Required Annual Payment*, you must use the Regular Method to calculate the amount of your underpayment penalty.

Part III – The Regular Method

If you chose the Regular Method, the first decision you must make is how to compute the Required Installments (line 1, columns (a)-(d)). You can either use the *Annualized Income Installment Method* from **Schedule AI** or use one-quarter (25%) of your *Required Annual Payment* to calculate the Required Installments. If you elect to use the *Annualized Income Installment Method* from **Schedule AI**, you must complete **Schedule AI** before you can complete Part III.

Line 1 – If you do not elect to use the Annualized Income Installment Method from Schedule AI to calculate your required installments on line 1, Part III, enter 25% (.25) of your Required Annual Payment from line 6, Part I, Form 2210AL, on line 1, columns (a)-(d).

If you use the **Annualized Income Installment Method**, see the instructions that follow for **Schedule AI** before completing lines 2-12.

Line 2 – Enter the total of the estimated tax paid for 2024 (line 23 of Form 40, line 22 of Form 40NR) by quarter paid. For column (a) **only**, enter the amount from line 2(a) on line 6(a) also.

NOTE: If the amounts on line 2, columns (a)-(d) are larger than the amounts on line 1, columns (a)-(d), DO NOT FILE THIS FORM, you do not owe this penalty.

Line 3 – Do not enter an amount on line 3, column (a). For line 3, column (b), enter the amount from line 9, column (a). For line 3, column (c), enter the amount from line 9, column (b). For line 3, column (d), enter the amount from line 9, column (c).

Lines 10-12 (Figure the Penalty)

When you have completed Part III, any amounts on line 8, columns (a)-(d), must be entered into a computation under the heading **Figure the Penalty** that follows Part III.

The amounts on line 8, columns (a)-(d) are the amounts of underpaid Alabama income tax for 2024. The underestimation penalty will be calculated on these amounts by completing lines 10-12 under the heading **Figure the Penalty**.

Line 12 (Penalty)

Total the amounts from line 11, columns (a)-(d). This is the amount of your underpayment penalty. This amount should be included on Schedule ATP, Part II, line 1 for Form 40 and on line 30 of Form 40NR.

Instructions for Schedule AI – Annualized Income Installment Method

Line 1 – Figure your total income for the period minus your adjustments to income for the period. Include your share of partnership or S corporation income or loss items for the period.

Line 4 – Figure your itemized deductions for the period. If you do not itemize your deductions, skip this line and go to line 7.

Line 10 – The federal tax liability deduction is located on line 12 of your 2024 Form 40, or line 14 of your 2024 Form 40NR.

Line 12 – If you are filing a Form 40, enter the total of lines 13 and 14 from your 2024 Form 40. If you are filing a Form 40NR, enter the total of lines 15 and 16 from your 2024 Form 40NR.

Line 15 – If you are filing a Form 40 or Form 40NR, enter the amount from Schedule OC, Section E, Line E4.

Line 19 – Do not enter an amount on line 19, column (a). For line 19, column (b), enter any amount from line 25, column (a). For line 19, column (c), enter the total of line 25, columns (a) and (b). For line 19, column (d), enter the total of line 25, columns (a), (b), and (c).

Line 21 – Enter 25% (.25) of your *Required Annual Payment* (line 6, Part I, Form 2210AL). This amount is needed in order to determine the amount of your underpayment (overpayment) by quarter.

NOTE: After completing Schedule AI, see instructions for line 2, Part III.

PART IV – Underpayment of Estimated Tax by Farmers and Fishermen

If you are a farmer or fisherman and at least two-thirds of your 2023 or 2024 gross income is from farming or fishing, complete Part IV of this form.

Section I Reasons for Filing. Check applicable boxes. If neither applies, don't file Form 2210AL.

If you are requesting a waiver, check box A. In certain circumstances, we will waive all or part of the penalty. See Waiver of Penalty in the instructions.

If you filed or are filing a joint return for either 2023 or 2024, but not for both years, and line 7 below is smaller than line 4, check box B.

Section II Figure Your Underpayment

Line 1. Enter your 2024 net tax due after credits from Form 40, line 18 or Form 40NR, line 20.

Line 2. Other payments. Enter amount from Schedule CP, Section B, Line 1.

Line 3. Current tax due. Subtract line 2 from line 1.

Line 4. Multiply line 3 by 66 2/3% (0.667).

Line 5. Withholding taxes. Don't include any estimated tax payments on this line.

Line 6. Subtract line 5 from line 3. If less than \$500, you don't owe a penalty; don't file Form 2210AL.

Line 7. Enter the tax shown on your 2023 tax return. (See instructions if your 2024 filing status changed to or from married filing jointly.)

Line 8. Required annual payment. Enter the smaller of line 4 or line 7.

Note: *If line 5 is equal to or more than line 8, stop here; you don't owe the penalty. Don't file Form 2210AL unless you checked box B above.*

Line 9. Enter the estimated tax payments you made by January 15, 2025, and any Alabama income tax withheld during 2024.

Line 10. Underpayment. Subtract line 9 from line 8. If the result is zero or less, stop here; you don't owe the penalty. Don't file Form 2210AL unless you checked box B above.

Section III Figure the Penalty

Line 11. Enter the date that the amount on line 10 was paid or April 15, 2025, whichever is earlier.

Line 12. Number of days from January 15, 2025, to the date on line 11.

Line 13. Penalty. Underpayment on line 10 \times Number of days on line 12/365 \times 0.07. Enter here and on Schedule ATP, Part II, line 1; or Form 40NR, line 30.

Waiver of Penalty

If you have an underpayment on line 13, all or part of the penalty for that underpayment will be waived if the department determines that:

- In 2023 or 2024, you retired after reaching age 62 or became disabled, and your underpayment was due to reasonable cause (and not willful neglect); or
- The underpayment was due to a casualty, disaster, or other unusual circumstance, and it would be inequitable to impose the penalty.

To request either of the above waivers, do the following:

- Check box A in Part I.

• Complete Part IV, lines 1 through line 12 without regard to the waiver. Enter the amount you want waived in parentheses on the dotted line to the left of line 13. Subtract this amount from the total penalty you figured without regard to the waiver and enter the result on line 13.

• Attach Form 2210A and a statement to your return explaining the reasons you were unable to meet the estimated tax requirements.

• If you are requesting a waiver due to retirement or disability, attach documentation that shows your retirement date (and your age on that date) or the date you became disabled.

• If you are requesting a waiver due to a casualty, disaster, or other unusual circumstance, attach documentation such as copies of police and insurance company reports.

The department will review the information you provide and will decide whether to grant your request for a waiver.

2023 joint return and 2024 separate returns. If you file a separate return for 2024, but you filed a joint return with your spouse for 2023, your 2023 tax is your share of the tax on the joint return. You are filing a separate return if you file as single, head of family, or married filing separately. To figure your share of the taxes on a joint return, first figure the tax both you and your spouse would have paid had you filed separate returns for 2023 using the same filing status as for 2024. Then multiply the tax on the joint return by the following fraction and enter the result on line 7.

The tax you would have paid had you filed a separate return

The total tax you and your spouse would have paid had you filed separate returns

If you didn't file a return for 2023 or if your 2023 tax year was less than 12 months, don't complete line 7. Instead, enter the amount from line 4 on line 8.