



Tax Extension Payment Calculator

Purpose

This worksheet helps you calculate **YOUR estimated federal tax payment** to submit with a tax extension.

This is **your estimate**, based on the information you provide, and is intended to help reduce penalties and interest.

1. Income Inputs

Add all applicable income sources.

Ordinary Income

- W-2 wages
- 1099 income
- K-1 income

Trading Activity

- Realized trading gains (short-term)
 - Realized trading gains (long-term)
 - Unrealized trading gains (with MTM election)
 - Wash sales disallowed (if not MTM)
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2. Adjustments & Contributions

Subtract **only items that reduce taxable income**.

Allowable Reductions (if applicable)

- Traditional IRA contributions
- 401(k) contributions
- Expected deductible business expenses

Important:

Roth contributions are NOT a reduction to taxable income and should **not** be included in this section.

3. Standard Deduction (Choose One)

Use the standard deduction based on your filing status:

- Single: \$15,000
- Head of Household: \$23,000
- Married Filing Joint: \$30,000

4. Federal Taxable Income Calculation

Total Income
– Adjustments & Contributions
– Standard Deduction
= Federal Taxable Income

This number is used to calculate your **federal income tax brackets**.

5. Federal Income Tax Calculation

How to Use the Tax Brackets

Federal income tax is calculated using a **progressive (marginal) tax system**. This means your income is taxed **in layers**, not at one flat rate.

Tax Bracket Structure

Here are the actual 2025 marginal rates from the [IRS website](#) as of 12/23/25:

Tax Rate	on taxable income from...	up to...
10%	\$0	\$11,925
12%	\$11,926	\$48,475
22%	\$48,476	\$103,350
24%	\$103,351	\$197,300
32%	\$197,301	\$250,525
35%	\$250,526	\$626,350
37%	\$626,351	and up

How Clients Should Apply the Brackets

1. Start with your **Federal Taxable Income** from [Step 4](#)
2. Apply the **10% rate** to the first portion of income
3. Apply the **12% rate only to the income that falls into that bracket**
4. Continue applying each higher rate **only to the portion of income within that bracket**
5. Add the tax from **each bracket together** to get total federal income tax

Important:

When people say “I’m in the 22% bracket,” that refers only to their **highest marginal tax rate**. It does **NOT** mean all income is taxed at 22%.

Federal income tax is calculated using a **progressive (marginal) tax system**. This means your income is **taxed in layers**, not all at one flat rate.

You do **not** choose a single tax bracket and apply it to all of your income.

Instead, you apply **each tax rate only to the portion of your taxable income that falls within that bracket**.

5A: Start With Your Estimated Taxable Income

Use the result from [Step 4](#) (Taxable Income Calculation).

This is the number that determines how your income flows through the tax brackets.

5B: Use the Brackets for Your Filing Status

Tax brackets depend on whether you file as:

- Single
- Head of Household (HOH)
- Married Filing Jointly (MFJ)

Each filing status has different income ranges for each tax rate. Use the bracket thresholds provided in your guide for your filing status.

5C: Apply the Tax Rates in Order (Marginal Method)

Apply the tax rates **from lowest to highest**, stopping once all of your taxable income has been taxed.

Important:

Only the income **within each bracket range** is taxed at that rate.

5D: How to Know “What Bracket You’re In”

When people say “I’m in the 22% bracket,” they are referring to their **highest marginal tax rate**.

This does **not** mean:

- All income is taxed at 22%

It **does** mean:

- Your *last dollar* of taxable income falls into the 22% bracket
 - Portions of your income are still taxed at 10%, 12%, and possibly other lower rates
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5E: Simple Example (Illustrative Only)

If your taxable income reaches the 22% bracket:

- The first portion is taxed at 10%
- The next portion at 12%
- Only the amount above the 22% threshold is taxed at 22%



You then **add the tax from each bracket together** to arrive at your total federal income tax.

5F: Final Instruction for This Calculator

- ✓ Apply each tax rate **only to the income that falls in that bracket**
- ✓ Add the tax from all brackets together
- ✗ Do **not** multiply your total income by a single percentage

This ensures your estimate is **reasonable and accurate** for extension payment purposes.

6. Self-Employment Tax (If Applicable)

If you earned 1099 income, self-employment tax may apply:

- **15.3%** on the first **\$160,000** of net self-employment income
 - **2.9%** Medicare tax on income above \$160,000
 - **Additional 0.9% surtax applies only when total income exceeds \$250,000**
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7. Total Estimated Federal Tax Liability

Federal Income Tax
+ Self-Employment Tax
= Total Estimated Federal Tax

8. Credits & Payments

Subtract all payments already made:

- Federal withholding
 - Estimated tax payments already made
 - Prior-year overpayment applied
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9. Federal Extension Payment Due

$$\begin{aligned} &\text{Total Estimated Federal Tax} \\ &- \text{Payments \& Withholding} \\ &= \text{Extension Payment Due} \end{aligned}$$

This is the amount to submit with **Form 4868** to help minimize penalties and interest.

10. State Extension Estimate (If Applicable)

State tax calculations begin with **federal taxable income**, adjusted for **state-specific additions or subtractions**.

State Calculation Method

$$\begin{aligned} &\text{Federal Taxable Income} \\ &\pm \text{State-specific adjustments} \\ &= \text{State Taxable Income} \end{aligned}$$

Then subtract:

- State withholding
- State estimated payments

$$\text{State Tax Due} = \text{State Tax} - \text{Payments}$$



Step 11: Final Extension Payment Calculation

Client Self-Calculation Section

Use your best reasonable estimates.

11A. Total Estimated Income

W-2 wages
+ 1099 income
+ K-1 income
+ Net trading gains
= Total Estimated Income

Total Estimated Income: \$ _____

11B. Total Adjustments

Traditional IRA / 401(k) contributions
+ Expected business expenses
= Total Adjustments

Total Adjustments: \$ _____

11C. Standard Deduction

Standard Deduction: \$ _____



11D. Estimated Federal Taxable Income

Total Estimated Income
– Total Adjustments
– Standard Deduction
= Estimated Federal Taxable Income

Estimated Federal Taxable Income: \$ _____

11E. Estimated Federal Income Tax

Apply the tax brackets from Step 5.

Estimated Federal Income Tax: \$ _____

11F. Self-Employment Tax

Estimated Self-Employment Tax: \$ _____
(Enter \$0 if not applicable)

11G. Total Estimated Federal Tax

Estimated Federal Income Tax
+ Estimated Self-Employment Tax
= Total Estimated Federal Tax

Total Estimated Federal Tax: \$ _____

11H. Payments Already Made

Federal withholding
+ Estimated tax payments
+ Prior-year refund applied
= Total Payments Made

Total Payments Made: \$_____

11I. Final Extension Payment Due

Total Estimated Federal Tax
- Total Payments Made
= Extension Payment Due

Amount to Pay With Your Extension: \$_____

Important Reminder

- This worksheet represents **YOUR estimate**
- Filing an extension does **not** extend the time to pay
- Paying as close to this estimate as possible helps reduce penalties and interest
- Your final tax bill may change once your return is fully prepared