

**COMPUTATION OF UNDERPAYMENT OF ESTIMATED TAX  
FOR BANKING AND FINANCIAL CORPORATIONS**

ATTACH TO YOUR RETURN - FORM BFC-1  
For taxable years beginning on or after January 1, 2002 and before December 31, 2002

CORPORATE NAME	FEDERAL EMPLOYER I.D. NUMBER	N.J. CORPORATION NUMBER
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**PART I How to Compute Your Underpayment**

**Note:** If you meet any of the exceptions that avoid the underpayment charge for ANY quarter, complete PART II.

1. Amount of Tax (Form BFC-1, Line 8, Page 1) . . . . .				
2. 90% of Line 1. If you had elected to make a single payment in lieu of paying installments of estimated tax, you may enter zero. (See Instructions.) . . . . .				
3. Enter the amount of tax from Form BFC-1, Line 8, page 1 from the preceding taxable year . . . . .				
4. Enter the lesser of Lines 2 or 3 . . . . .				
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
5. Enter in columns (a) through (d) the installment dates that correspond to the 15th day of the 4th, 6th, 9th, and 12th months of your tax year . . . . .				
6. (a) Enter 25% of Line 4 in Columns (a) through (c) . . . . .				
(b) Enter 25% of Line 1 in Column (d) . . . . .				
7. (a) Amount paid or credited for periods in Columns (a) through (c) . . . . .				
(b) Overpayment of previous installment (enter any overpayment shown on line 9 that is more than the total of all prior underpayments as a credit against the installments in Columns (b) and (c)) . . . . .				
8. (a) Add lines 7(a) and 7(b) . . . . .				
(b) Enter the amount paid for the 4th quarter installment . . . . .				
9. Underpayment or overpayment (subtract line 8(a) from line 6(a) for columns (a) through (c) and line 8(b) from line 6(b) for column (d)). . . . .				

**PART II Exceptions (See Instructions)**

10. Total amount paid or credited from the beginning of the tax year through the installment dates that correspond to the 15th day of the 4th, 6th, and 9th months of your tax year . . . . .				
11. Exception 1, tax based on the facts shown on the prior year's return but using current year's rates (if prior return was for a period of less than a year, see instructions) . . . . .	25% of tax	50% of tax	75% of tax	
12. Exception 2, tax based on annualized tax . . . . .	22.5% of tax	45% of tax	67.5% of tax	
13. Special NOL Exception . . . . .	25% of tax	50% of tax		

**PART III Installment Interest Due (See Instructions)**

14. Amount of underpayment from line 9 . . . . .				
15. Enter same installment dates used above at line 5 . . . . .				
16. Enter the date of payment or the 15th day of the 4th month after the close of the tax year, whichever is earlier . . . . .				
17. Number of months from the date on line 15 to the date on line 16. (A part of a month is deemed to be a full month.) . . . . .				
18. Interest . . . . .				
19. Installment interest due - Add columns (a), (b), (c), and (d) of line 18. Enter the total here and on page 1 of Form BFC-1. . . . .				

# INSTRUCTIONS

**Purpose of Form** - This Form BFC-160 is used by corporations to determine whether they paid enough estimated tax, whether they are subject to an interest charge for underpayment of estimated tax, and, if so, the amount of interest. Estimated tax is a corporation's expected Corporation Business Tax liability. A corporation must make estimated tax payments unless it had elected to make a single payment in lieu of making installment payments of estimated tax. This option is available only where its preceding year's tax was less than \$500.

**How to Use this Form** - Complete Part I of Form BFC-160 to find out if you have an underpayment for any of the four payment periods. If you have an underpayment on Line 9 (Column a, b, or c), go to Part II, Exceptions. If you are using Form BFC-160 either to compute the interest on underpayment of estimated tax or to show that you qualify for any exception, attach Form BFC-160 to your tax return, Form BFC-1.

## **PART I - How to Compute Your Underpayment -**

Complete Lines 1 through 9 in Part I. The instructions for most of these lines are on the form itself. Follow the instructions below for Lines 6(b), 7(b) and Line 9.

- Line 6(b) - The 4th quarter installment payment must be equal to at least 25% of the 2002 tax liability.
- Line 7(b) - Enter any overpayment shown on Line 9 that is more than the total of all earlier underpayments.
- Line 9 - If Line 9 shows an underpayment, complete Part II to see if either of the exceptions apply.

## **PART II - Exceptions**

You will not have to pay interest if all of your tax payments (Part II, Line 10) were made on time and are equal to or more than either of the amounts computed as explained by the exceptions (Lines 11 and 12) for the same payment period (Column a, b, or c).

### **Exception I - Tax Based on Prior Year's Return Using Current Year's Rates**

This exception applies if the amount the corporation paid is equal to or more than the tax computed by using the current year's rates but based on the facts shown on the prior year's return and the law that applies to the prior year. If the prior year return covered a period of less than a year, the prior return must be annualized by dividing the taxable net income by the number of whole months covered by the short period return and multiplying by 12.

### **Exception II - Tax Based on Annualized Tax**

This exception applies if the estimated tax was equal to or more than 90% of the amount the corporation would owe if its estimated tax was based on a tax computed from annualizing tax for the months preceding an installment date.

A corporation may annualize its tax as follows:

- a. For the first 3 months if the installment was required to be paid in the 4th month.
- b. For the first 3 months or for the first 5 months if the installment was required to be paid in the 6th month.
- c. For the first 6 months or for the first 8 months if the installment was required to be paid in the 9th month.

### **Special NOL Exception**

This exception applies if the estimated tax paid was greater than or equal to the tax computed by using the current year's facts and rates but including the NOL carryover as a deduction. This exception only applies to those payments due on or before June 17, 2002.

## **PART III - Installment Interest Due**

If no exception applies, complete Lines 13 through 19.

A payment of estimated tax on or before any installment date is considered a payment of any previous underpayment only to the extent the payment is more than the amount of the current installment as figured on Line 6(a). If the corporation made more than one payment for an installment, attach a separate computation for that installment.

The **average predominant prime rate** is the rate as determined by the Board of Governors of the Federal Reserve System, quoted by commercial banks to large businesses on December 1st of the calendar year immediately preceding the calendar year in which payment was due or as redetermined by the Director in accordance with N.J.S.A. 54:48-2. The interest rates assessed by the Division of Taxation are published in the quarterly issues of the New Jersey State Tax News.

Interest is computed on the amount of the underpayment from the installment due date to the date of payment or the original due date of the final tax return, whichever is earlier. The annual interest rate is 3% above the average predominant prime rate and is imposed each month or fraction thereof the underpayment exists. Changes in the average predominant prime rate must be reflected in the interest calculation.