TAXSTACHE

BUSINESS EDITION

The Mid-Year Tax Tune-Up Kit

A working PDF for business owners who want to check their tax position at the halfway mark — and fix it while there's still time.

INSIDE: Six-month diagnostic checklist · P&L-to-tax translation sheet · Annualization worksheet · Safe harbor calculator · Q3/Q4 payment recalculation · Form 2210 Schedule AI summary

TOOL 1 · THE BASICS

Six-Month Diagnostic Checklist

Ten questions. One page. Answer honestly and you'll know within fifteen minutes whether you're tracking toward a refund, a break-even, or a bill you're not ready for.

INCOME

☐ Is your year-to-date net income tracking ahead of, behind, or roughly on pace with the estimate you built your quarterly payments on in January?

☐ Have you added or lost a major client or contract since January that shifts your income meaningfully?

☐ Has your monthly revenue pattern changed — are you more seasonal, or less, than you assumed?

EXPENSES

☐ Have you had any unplanned major expenses (equipment, repairs, legal, emergency hires)?

☐ Have you found savings you didn't expect — a renegotiated contract, a dropped subscription, a leaner team?

☐ Did you purchase equipment or assets this year that may qualify for Section 179 or bonus depreciation?

LIFE & STRUCTURE

☐ Has your business structure changed (new LLC, S-corp election, added a partner)?

☐ Has your filing status or household situation changed since you filed last year's return?

☐ Have you made any retirement contributions (Solo 401(k), SEP-IRA) so far this year?

☐ Do you know, right now, what your remaining two estimated payments are currently set to?

How to score it: If you checked more than half the boxes in any one section, that's the section to dig into first — it's the one most likely to be moving your tax picture without your notice.

TOOL 2 · THE STRATEGY

P&L-to-Tax Translation Sheet

Your profit and loss statement is a tax document wearing a business-report costume. Use this table to translate each line into what it actually means for your tax return.

P&L LINE	TAX TREATMENT	WATCH FOR
Total Revenue	Baseline only — not taxable income. Ignore for tax estimates.	Don't confuse with net profit.
Operating Expenses (rent, software, supplies)	Deductible dollar-for-dollar against revenue.	Keep receipts; must be ordinary & necessary.
Payroll / Contractor Costs	Deductible business expense.	1099-NEC required for contractors paid $2,000+ in 2026 (up from $600 under the new OBBBA threshold).
Equipment Purchases	Depreciated over time, or expensed immediately under Section 179.	Election must be made on a timely return.
Owner Draws / Distributions	NOT a deductible expense — regardless of how it feels leaving your account.	Most common first-year mix-up.
Depreciation & Amortization	Non-cash expense; reduces taxable income without reducing cash.	Add back only if analyzing cash flow, not tax.
Net Income (after D&A)	Your closest proxy for taxable profit before SE tax & above-the-line deductions.	This is the number to annualize.

THE OWNER-DRAW TRAP

If you're an LLC or sole proprietor, what you pay yourself is a draw, not a salary. It reduces your bank balance but never appears as a deduction. Your taxable income is your net profit **before** you take anything out — not after.

TOOL 3 · THE STRATEGY

Annualization Worksheet

Pick the method that fits how your business actually earns money, then annualize your year-to-date net income to get a realistic full-year estimate.

1 **Flat Doubling** — best if your income arrives evenly across the year.

Net income, Jan–Jun: ___________________

× 2 = Projected full-year net income: _______________

2 **Seasonal Weighting** — best if certain months are historically stronger or weaker.

Net income, Jan–Jun: ___________________

% of typical annual income earned by June (from prior years): _______

Jan–Jun income ÷ that % = Projected full-year net income: __________

3 **Month-by-Month Trend** — best for newer businesses or rapidly changing income.

JAN	FEB	MAR	APR	MAY	JUN
$______	$______	$______	$______	$______	$______

Average your last 3 months, then multiply by the 6 months remaining, and add to your Jan–Jun actuals for a trend-based full-year projection.

Average of last 3 months: _______________

× 6 = Projected remaining-year income: ____________

+ Jan–Jun actuals = Projected full-year net income: _______

TOOL 4 · THE DEEP DIVE

Safe Harbor Calculator

You generally avoid an underpayment penalty if, by year-end, you've paid the lesser of two thresholds. Work through both and use whichever number is smaller.

A **Current-Year Threshold** — 90% of this year's actual tax liability

Projected full-year tax liability (income tax + SE tax): ________

× 0.90 = Threshold A: __________________

B **Prior-Year Threshold** — 100% of last year's tax (110% if prior-year AGI was over $150,000)

Last year's total tax liability: ________________

× 1.00 or 1.10 = Threshold B: ________________

C **Your Safe Harbor Number** — the smaller of A or B

Safe harbor number (lesser of A or B): ______________

− Total already paid (withholding + Q1 + Q2 estimates): _____

= Remaining amount owed by year-end to stay in safe harbor: __

Remember: hitting your safe harbor number protects you from the underpayment penalty — it doesn't mean you won't owe a balance in April. It just means that balance won't come with a penalty attached.

TOOL 5 · THE DEEP DIVE

Q3 / Q4 Payment Recalculation Sheet

Once you know your safe harbor number and what you've already paid, split the remainder across your two remaining due dates.

Remaining amount owed by year-end (from Safe Harbor Calculator): ___

Split evenly if your income is steady across the second half of the year. If it's uneven, weight each payment to match when the income actually arrives — see the Schedule AI summary on the next page.

DUE DATE	PAYMENT PERIOD COVERED	AMOUNT
September 15	Income earned June 1 – Aug 31	$___________
January 15	Income earned Sep 1 – Dec 31	$___________

HOW TO PAY

- ☐ IRS Direct Pay — free, directly from a bank account, no enrollment required.
- ☐ EFTPS (Electronic Federal Tax Payment System) — free, requires enrollment, good for recurring quarterly payments.
- ☐ Debit/credit card — works, but a processing fee applies through IRS-approved providers.

TOOL 6 · THE DEEP DIVE

Form 2210, Schedule AI — One-Page Summary

If your income arrives unevenly across the year — seasonal work, lumpy contracts, a slow start and a strong finish — the standard quarterly method can flag you for an underpayment that isn't really there. Schedule AI fixes that by matching each required payment to when the income actually showed up.

WHEN TO USE IT

☐ Your net income varies significantly by quarter (not roughly 25% earned each period).

☐ A standard flat-quarter estimate would show an underpayment in an early quarter that your later, stronger quarters make up for.

☐ You want to document — not just assume — why your payments were uneven.

HOW IT WORKS, IN BRIEF

1. Calculate your cumulative net income for each period: Jan 1–Mar 31, Jan 1–May 31, Jan 1–Aug 31, and Jan 1–Dec 31.
2. Annualize each period's income using the IRS's specified multipliers for that period.
3. Calculate the required installment for each period based on the annualized figure.
4. Compare required installments to what you actually paid each quarter — this determines whether any penalty applies, period by period, instead of using one flat quarterly assumption.

Bottom line: Schedule AI takes more paperwork than the standard method, but for uneven-income businesses, it's often the difference between a penalty and a clean return. File it with your Form 1040 if you use it — it must accompany Form 2210.
