Estimate It

The Quarterly Tax System for People Who Pay Themselves

“Four dates. One number. Zero penalty.”

A PREMIUM LESSON · CHARTS · REAL EXAMPLES · ACTION STEPS · GLOSSARY

WHAT YOU WILL MASTER

- Identify whether the $1,000 estimated-tax trigger applies to your 2026 income mix - freelance, 1099 clinical work, rentals, consulting, or an operating business.
- Compute both tax layers on business profit - the 15.3% self-employment tax and the income-tax stack - using verified 2026 figures.
- Lock in a penalty-proof safe-harbor payment number using the 90% / 100% / 110% rules.
- Calendar all four 2026-27 due dates and choose your payment channel (IRS Direct Pay, EFTPS, or 1040-ES vouchers).
- Build a 25-30% set-aside system so each quarterly payment is already sitting in cash before it is due.

Pay As You Go: Why Four Payments Exist

A wage earner never watches tax leave. The employer withholds federal income tax, Social Security, and Medicare from every paycheck and forwards it to the U.S. Treasury all year long. Self-employment removes that middleman. When you are the freelancer, the 1099 clinician picking up contract shifts, the landlord, the consultant, or the owner of an operating business, nobody withholds anything - so the IRS requires you to send the money in yourself, four times a year, through quarterly estimated tax payments.

The trigger is specific: if you expect to owe at least $1,000 for 2026 after subtracting withholding and refundable credits, estimated payments are required (IRC section 6654; Form 1040-ES). Skip them and the underpayment penalty is automatic. It is computed on Form 2210 and works like interest - the rate for individuals is 7% per year in the third quarter of 2026 - accruing on each installment from the day it was due until the day it is paid.

Reframe it and the dread disappears. Estimated tax is not an extra tax; it is the same tax on a different rhythm. In fact, the quarterly system hands you more control than any W-2 employee has: you hold your own money until the statutory due date, you run the calendar, and you - not a payroll department - decide how the cash is staged. This course exists because that control is learnable.

THE $1,000 TRIGGER IN ACTION

A W-2 data analyst starts weekend consulting in 2026 and expects $8,000 of net side profit on top of a salaried job with normal withholding. Does the trigger catch him? (Illustrative figures, single filer, 12% bracket.)

Net side-business profit (2026)	**$8,000**
Self-employment tax (92.35% of profit x 15.3%)	**approx. $1,130**
Income-tax layer (12% bracket, after half-SE and QBI deductions)	**approx. $714**
Total extra 2026 tax	**approx. $1,844**
Over the $1,000 trigger?	**Yes - quarterly payments or extra withholding required**

→ Even a modest side income blows past the $1,000 line. Decide in January - not next April - which channel will pay that tax.

Two Layers of Tax on Every Dollar of Profit

Layer one is self-employment tax - both halves of Social Security and Medicare, because you are simultaneously employer and employee. The rate is 15.3%: 12.4% for Social Security on net earnings up to the $184,500 wage base for 2026, plus 2.9% for Medicare with no cap. It is computed on 92.35% of net profit (Schedule SE), and you deduct the employer-equivalent half when figuring adjusted gross income. High earners add the 0.9% Additional Medicare Tax above $200,000 (single) or $250,000 (married filing jointly).

Layer two is ordinary income tax. Start with profit, subtract half the SE tax, subtract the 2026 standard deduction ($16,100 single; $32,200 married filing jointly; $24,150 head of household), and subtract the qualified business income (QBI) deduction - up to 20% of qualified business income, made a permanent feature of the code by the 2025 tax law. What remains runs through the brackets: for single filers, 10% up to $12,400 of taxable income, then 12% up to $50,400, 22% up to $105,700, and higher rates beyond.

Stack both layers and you have your true number. Most self-employed people who guess, guess wrong in both directions - they forget SE tax entirely (understating), or they apply their top bracket to every dollar (overstating). The worked example below runs the full 2026 stack so you can see the real shape.

MARIA'S FULL 2026 TAX STACK (ILLUSTRATIVE)

Maria, a self-employed graphic designer (single, standard deduction, no other income), projects $80,000 of net Schedule C profit for 2026. All figures rounded to the nearest dollar and labeled illustrative - real returns have more moving parts.

Net profit	**$80,000**
Net earnings from self-employment (x 92.35%)	**$73,880**
Self-employment tax (x 15.3%)	**$11,304**
Deduction for half of SE tax	**-$5,652**
Adjusted gross income	**$74,348**
Standard deduction (2026, single)	**-$16,100**
QBI deduction (20%, limited to 20% of taxable income)	**-$11,650**
Taxable income	**$46,598**
Income tax (10% and 12% brackets)	**$5,344**
Total federal tax (SE + income)	**approx. $16,648**
Per-quarter estimated payment	**approx. $4,162**

→ About 20.8% of Maria's profit goes to federal tax - far from the scary 40% guesses, but far from zero. A 25-30% set-aside covers this comfortably plus most state tax, and anything left over is hers in April.

✓ Do not skip the QBI deduction when estimating. The 20% qualified business income deduction is now permanent law - forgetting it overstates your quarterly payments by hundreds of dollars per quarter at Maria's income level.

Safe Harbor: The Penalty-Proof Number

Forecasting a full year of self-employment income in January is guesswork, and the IRS knows it. So the law offers a bright-line escape called the safe harbor: no underpayment penalty if your timely payments total at least 90% of this year's tax, or 100% of last year's total tax - whichever is smaller. If your prior-year adjusted gross income was over $150,000, the prior-year target rises to 110%.

The prior-year option is the workhorse because it is a known number. Open last year's Form 1040, read total tax on

The 2026 Calendar and How to Pay

The four due dates for tax year 2026 are April 15, 2026 (covering January-March income), June 15, 2026 (April-May), September 15, 2026 (June-August), and January 15, 2027 (September-December). Notice the periods are not equal quarters - the second covers only two months and the fourth covers four. That asymmetry is statutory and decades old; four phone reminders beat memorizing the logic.

Paying takes minutes. IRS Direct Pay pulls from a checking account free of charge; EFTPS is the Treasury's enrollment-based system many business owners prefer for scheduling all four payments at once; paper filers can mail the vouchers printed with Form 1040-ES. Most states with an income tax run a parallel quarterly system with their own forms and portals - budget for both.

If income lands unevenly - a big Q4 contract, seasonal work, a property sale - the annualized income installment method (Form 2210, Schedule AI) lets you legally match each payment to the income actually earned by that point in the year, instead of paying four equal installments on money you have not received yet.

EVEN INSTALLMENTS VS. ANNUALIZED METHOD (ILLUSTRATIVE)

Maria's $16,648 total tax, paid two ways. Column A: four equal installments. Column B: the annualized method for a year where roughly 70% of her income lands after June - later payments, same total, zero penalty either way when done correctly.

Even method - each of Apr 15 / Jun 15 / Sep 15 / Jan 15	**$4,162**
Annualized - April 15, 2026 (light Q1 income)	**approx. $1,000**
Annualized - June 15, 2026	**approx. $1,600**
Annualized - September 15, 2026	**approx. $4,700**
Annualized - January 15, 2027 (heavy H2 income)	**approx. $9,348**
Total under either method	**$16,648**

→ The annualized method is cash-flow relief written into the law - pay when you earn, document it on Schedule AI, and the penalty math follows your real year.

✓ Due dates only move when they hit a weekend or federal holiday. All four 2026-27 dates fall on weekdays - set reminders three days early and the calendar never surprises you.

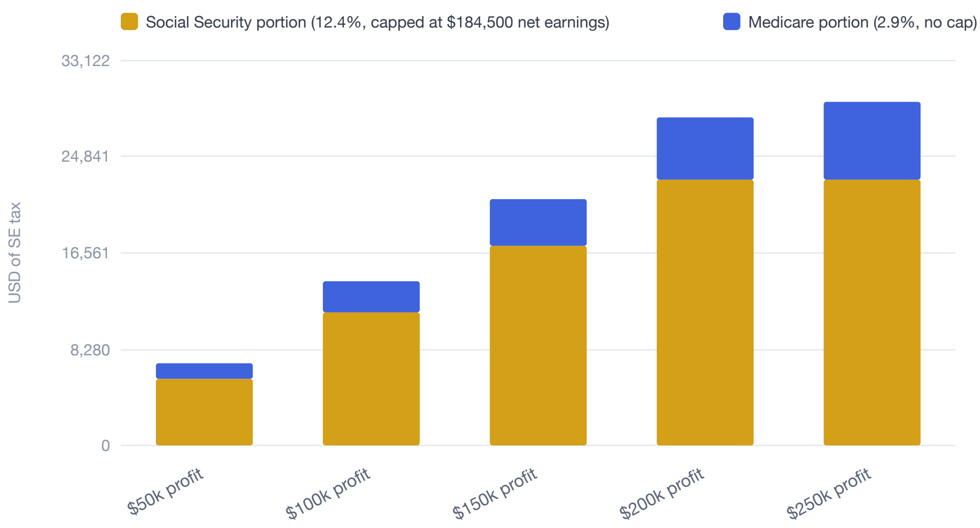
Blending W-2 Withholding with 1099 Income

Here is the rule that rescues mixed-income households: the IRS treats withheld tax as paid evenly across the year, no matter when it actually came out of your paychecks. Estimated payments are credited only on the date sent. That asymmetry means a W-2 job in the household is a precision tool - raising withholding in October can legally cure an underpayment that began in April, something a late estimated payment cannot do.

For portfolio earners - the anesthesia clinician who moonlights 1099, the employee with rental income, the couple with a business on the side - this creates a genuine choice. Cover the side income by adding a flat dollar amount on Form W-4 line 4(c) at the day job, or run the classic four-payment calendar, or blend both. Pick deliberately; the worst plan is assuming the day job's withholding will absorb the side income unchanged, because it will not.

Whichever channel you choose, the plumbing behind it is the same: a separate tax account catching 25-30% of every self-employment deposit the day it arrives. Episode 2 goes deep on the W-4 machine itself - the five steps, the two-earner trap, and the tuning checkpoints.

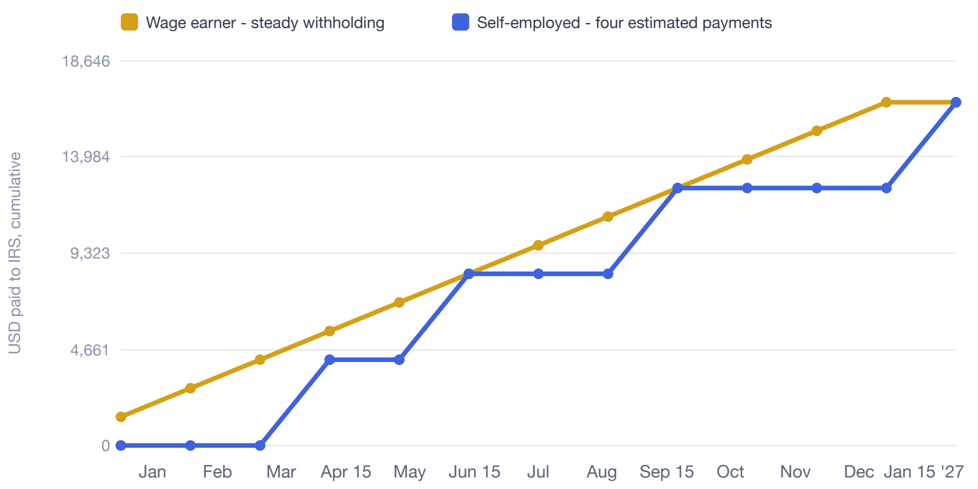
2026 Self-Employment Tax by Net Profit: Social Security Caps, Medicare Never Does



Self-employment tax on 92.35% of net profit at the 2026 rates. The 12.4% Social Security piece stops growing once net earnings reach the $184,500 wage base (between the $200k and $250k profit bars), while the 2.9% Medicare piece never caps; the 0.9% Additional Medicare Tax above $200,000 is not shown. Figures rounded and illustrative.

Source: Social Security 2026 Fact Sheet (2026 contribution and benefit base of $184,500) and IRS Schedule SE rates · Social Security Administration / Internal Revenue Service (2026) · https://www.ssa.gov/news/press/factsheets/colafacts2026.pdf

Same Tax, Different Rhythm: Cumulative 2026 Payments - Withholding vs. Quarterly Estimates



Maria's illustrative $16,648 of 2026 federal tax paid two ways: a wage earner drips it in every paycheck, while the self-employed version climbs in four stairs on the statutory due dates - April 15, June 15, September 15, 2026, and January 15, 2027. Identical totals; only the rhythm differs.

Source: Publication 509 (2026), Tax Calendars - estimated tax due dates · Internal Revenue Service (2026) · https://www.irs.gov/publications/p509

STORY BREAK

The Four-Jar Year

MARIA
One giant tax bill every April. I dread it.

A cluttered kitchen table piled with crumpled receipts and a laptop; Maria, a woman in her thirties in a paint-flecked designer's apron, slumps with her head in her hands while Marcus, a calm man in a button-down shirt, leans in the doorway holding a coffee mug.

MARCUS
You're doing it the hard way.

1. Every April, Maria's freelance year ends the same way.

MARCUS
Four smaller payments: April, June, September, January.

A tidy home office wall where Marcus points at a large wall calendar with four dates circled; Maria stands beside him, arms crossed but leaning in, eyebrows rising with interest.

MARIA
So I pay as I earn, like your paycheck.

2. Four smaller payments replace one painful one.

MARIA
Twenty-five cents of every dollar lands here first.

A bright bank branch counter where Maria slides a card across to open a new account, standing tall and businesslike; Marcus waits behind her with an approving nod.

3. A separate tax account fills itself - a slice of every client payment, moved the day it lands.

MARIA
April fifteenth, and nothing hurts.

The same kitchen table one year later, now clear except for two coffee mugs and a single tidy folder; Maria leans back relaxed with her mug raised in a toast and Marcus clinks his mug against hers.

MARCUS
Safe harbor. Zero penalty. Told you.

4. Next April: the money was already waiting.

DO IT NOW

Build Your Four-Jar Tax System

Time: 20 minutes · You need: Last year's Form 1040 (find total tax on line 24) · Your banking app · Phone calendar · IRS Direct Pay page bookmarked (irs.gov/payments)

1. Read total tax from line 24 of last year's Form 1040. Apply 100% - or 110% if last year's AGI topped $150,000 - and divide by four. That is your penalty-proof safe-harbor installment.
2. Create four calendar reminders, each set three days early: April 15, June 15, and September 15, 2026, and January 15, 2027.
3. Open (or rename) a separate high-yield savings account: 'TAX - DO NOT SPEND'.
4. Set an automatic or standing rule: 25-30% of every self-employment deposit moves to the tax account the day it arrives.
5. Walk through IRS Direct Pay once, up to the review screen, so the real payment takes five minutes instead of an anxious evening.
6. If you also have a W-2 job, note this quarter's withholding - Episode 2 shows how line 4(c) can carry part or all of this load.

Check yourself

- [ ] **Will I owe at least $1,000 for 2026 beyond what my withholding covers?**
  That is the statutory trigger (IRC 6654). Crossing it makes quarterly payments mandatory - and the Form 2210 penalty automatic if you skip them at 7% annual interest (Q3 2026 rate).

- [ ] **Do I know my safe-harbor number from last year's Form 1040, line 24?**
  100% of prior-year tax (110% above $150,000 AGI) is the one payment target that survives any income surprise. If you cannot quote it, you are forecasting instead of planning.

- [ ] **Does a fixed 25-30% of every payment I receive route automatically to a tax-only account?**
  The quarterly system fails on cash flow, not math. Automation means the June 15 and September 15 money already exists before the reminder fires.

- [ ] **Are all four due dates - April 15, June 15, September 15, 2026, and January 15, 2027 - on my calendar with early alerts?**
  The periods are unequal (Q2 is two months, Q4 is four), so intuition misfires. Reminders convert statutory quirks into a non-event.

WORDS TO KNOW

Estimated tax
Quarterly prepayments of income and self-employment tax on income that has no withholding - required once you expect to owe $1,000 or more for the year.

Pay-as-you-go
The U.S. rule that tax is due as income is earned during the year, not in one lump at filing time.

Form 1040-ES
The IRS worksheet and voucher package for computing and paying estimated tax.

Safe harbor
Prepayment target that blocks the underpayment penalty: 90% of this year's tax or 100% of last year's (110% if prior-year AGI exceeded $150,000).

Underpayment penalty
Interest-style charge on late or light installments, computed on Form 2210; the individual rate is 7% per year in Q3 2026 and resets quarterly.

Self-employment tax
Both halves of Social Security and Medicare - 15.3% total (12.4% + 2.9%) - paid by people who work for themselves.

Net earnings from self-employment
Net profit multiplied by 92.35%; the base on which self-employment tax is figured (Schedule SE).

Social Security wage base
The annual cap on earnings subject to the 12.4% Social Security portion - $184,500 for 2026.

Annualized income installment method
Form 2210 Schedule AI option that matches each quarterly payment to income actually earned by that date - relief for seasonal or lumpy income.

IRS Direct Pay
Free IRS portal that pulls estimated payments straight from a bank account with no enrollment.

EFTPS
The Treasury's Electronic Federal Tax Payment System - enrollment-based, and able to schedule all four payments in advance.

QBI deduction
Deduction of up to 20% of qualified business income for pass-through owners, made permanent by the 2025 tax law (P.L. 119-21).

SOURCES & MATERIALS USED

- TAX_ADULT_EP13_ESTIMATE_IT_book.md - house canon. Mapping: adult book EP13 'Estimate It' (first title in _ADULT_PDF_BOOKS_MANIFEST.md order) maps to video TAX_EP01_ADULT_BUSINESS_EXPANDED_v3; the vault's PROGRAM_OUTLINE_MASTER_2026-07-19.md confirms the adult-tier TAX book scripts are the closest authored source for the 7-video series. — FlexLifeFi / CashQuest Backup Vault (2026). file:///Users/jonathanwildy/Desktop/CashQuest_Backup_Vault/_FINAL/adult_tier_TAX_EP13_24_2026-05-11/pdf_books/TAX_ADULT_EP13_ESTIMATE_IT_book.md
- TAX_EP13_script.md (ESTIMATE IT source script - four-jar framing, safe-harbor teaching beats) — FlexLifeFi / CashQuest Backup Vault (2026). file:///Users/jonathanwildy/Desktop/CashQuest_Backup_Vault/_FINAL/adult_tier_TAX_EP13_24_2026-05-11/scripts/EP13_ESTIMATE_IT/TAX_EP13_script.md
- Estimated taxes ($1,000 threshold; 90%/100% safe harbor; Form 1040-ES) — Internal Revenue Service (2026). https://www.irs.gov/businesses/small-businesses-self-employed/estimated-taxes
- Self-employment tax (Social Security and Medicare taxes) - 15.3% rate, 12.4%/2.9% split, half-SE deduction, Additional Medicare Tax thresholds — Internal Revenue Service (2026). https://www.irs.gov/businesses/small-businesses-self-employed/self-employment-tax-social-security-and-medicare-taxes
- About Schedule SE (Form 1040) - 92.35% net-earnings multiplier — Internal Revenue Service (2026). https://www.irs.gov/forms-pubs/about-schedule-se-form-1040
- Form 1040-ES, Estimated Tax for Individuals (110% safe harbor above $150,000 AGI; payment vouchers) — Internal Revenue Service (2026). https://www.irs.gov/forms-pubs/about-form-1040-es
- Publication 505, Tax Withholding and Estimated Tax (even-payment treatment of withholding; penalty rules) — Internal Revenue Service (2026). https://www.irs.gov/publications/p505