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2025 Instructions for Schedule A (Form 8804)

Penalty for Underpayment of Estimated Section 1446 Tax by Partnerships

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule A (Form 8804) and its instructions, such as legislation enacted after they were published, go to Schedule A (Form 8804) at *IRS.gov/Form8804*.

General Instructions

Purpose of Form

Partnerships that have effectively connected taxable income (ECTI) allocable to foreign partners use Schedule A (Form 8804) to determine:

- Whether they are subject to the penalty for underpayment of estimated tax and, if so,
- The amount of the underpayment penalty.

Who Must File

Generally, the partnership doesn't have to file this schedule because the IRS will figure the amount of the penalty and notify the partnership of any amount due. However, even if the partnership doesn't owe a penalty, complete and attach this schedule to the partnership's Form 8804 if Part II, line 1 of Schedule A (Form 8804), amount is $500 or more and any of the following apply.

1. The adjusted seasonal installment method is used.
2. The annualized income installment method is used.

Who Must Pay the Underpayment Penalty

Generally, a partnership is subject to the penalty if it didn't timely pay in installments at least the smaller of:

1. The tax shown on line 5f of its 2025 Form 8804; or
2. The total section 1446 tax that would have been due for 2024, without regard to reductions for certified foreign partner-level items, on the ECTI allocable to foreign partners for 2024, provided that (1) this amount is at least 50% of the sum of the amounts shown on lines 4d, 4h, 4l, 4p, and 4t of Form 8804 for its 2025 tax year; and (2) the tax year was for a full 12 months. See the instructions for line 2, later, for more details.

In these instructions, "Form 8804" generally refers to the partnership's original Form 8804. However, an amended Form 8804 is considered the original Form 8804 if the amended Form 8804 is filed by the due date (including extensions) of the original Form 8804.

Also, for purposes of determining a required installment, if an amended Form 8804 is filed for the prior tax year, then "prior tax year" includes the amended Form 8804, but only if the amended Form 8804 is filed before the applicable installment due date.

The penalty is figured separately for each installment due date. Therefore, the partnership may owe a penalty for an earlier due date even if it paid enough tax later to make up the underpayment. This is true even if the partnership is due a refund when its return is filed. However, the partnership may be able to reduce or eliminate the penalty by using the annualized income installment method or the adjusted seasonal installment method. See the instructions for Parts IV and V, later, for details.

Exception to the Penalty

A partnership won't have to pay a penalty if the tax shown on line 5f of its 2025 Form 8804 is less than $500.

How To Use Schedule A

Complete this schedule as follows.

- Check one or both of the boxes in Part I that apply. If the partnership checks a box in Part I, attach Schedule A (Form 8804) to Form 8804. Be sure to check the box on Form 8804, line 8.
- If the total section 1446 tax, shown on Part II, line 1, is $500 or more, complete the rest of page 1 to determine the underpayment for any of the installment due dates.
- If there is an underpayment on line 12 (column (a), (b), (c), or (d)), go to Part VII to figure the penalty.
- Complete Parts IV through VI, as appropriate, if the partnership uses the adjusted seasonal installment method and/or the annualized income installment method.

Specific Instructions

Part I—Reasons for Filing

Adjusted seasonal installment method and/or annualized income installment method. If the partnership's income varied during the year because, for example, it operated its business on a seasonal basis, it may be able to lower or eliminate the amount of one or more required installments by using the adjusted seasonal installment method and/or the annualized income installment method.

Example 1. A ski shop, which receives most of its income during the winter months, may benefit from using one or both of these methods to figure its required installments. The annualized income installment or adjusted seasonal installment may be less than the required installment under the current-year safe harbor (increased by any reduction recaptured under section 6655(e)(1)(B)) for one or more due dates. Using one or both of these methods may reduce or eliminate the penalty for those due dates.

Use Parts IV through VI of Schedule A (Form 8804) to figure one or more required installments. If Parts IV through

VI are used for any payment due date, Parts IV through VI must be used for all subsequent payment due dates. To arrive at the amount of each required installment, Part VI uses the smallest of:

- The adjusted seasonal installment (if applicable),
- The annualized income installment (if applicable), or
- The current-year safe harbor (increased by any reduction recaptured under section 6655(e)(1)(B)).

Follow the steps below to determine which parts of the form have to be completed.

- If the partnership is using only the adjusted seasonal installment method, check the applicable box in Part I and complete Parts IV and VI of Schedule A (Form 8804).
- If the partnership is using only the annualized income installment method, check the applicable box in Part I and complete Parts V and VI of Schedule A (Form 8804).
- If the partnership is using both methods, check both of the boxes in Part I and complete all three parts (Parts IV through VI) of Schedule A (Form 8804).

Part II—Current-Year and Prior-Year Safe Harbors

Line 2 (prior-year safe harbor). Enter the total section 1446 tax that would have been due for 2024, without regard to reductions for certified foreign partner-level items on the ECTI allocable to foreign partners for 2024.

The partnership can generally use the prior-year safe harbor only if it paid the required amount using that method for each of its installment payments of section 1446 tax during the tax year. However, see Regulations section 1.1446-3(b)(3)(ii) for an exception. Also, see the Note below. In addition, the partnership can only use the prior-year safe harbor if **all** of the following apply.

- Each installment payment that was made during the tax year, when averaged with all prior installment payments, must have been 25% of the partnership's total section 1446 tax liability under the prior-year safe harbor.
- The prior tax year consisted of 12 months.
- The partnership timely files (including extensions) a U.S. return of partnership income (for example, Form 1065) for the prior tax year.
- The amount of ECTI for the prior tax year isn't less than 50% of the ECTI shown on the current-year Form 8804 that is (or will be) timely filed.

If the partnership isn't permitted to use the prior-year safe harbor method because any of the necessary conditions described above aren't met, skip line 2 and enter on line 3 the amount from line 1.

Note: If the partnership qualifies for and uses the exception under Regulations section 1.1446-3(b)(3)(ii) to switch to the standard option annualization method during the tax year, the partnership should include on line 2 the total of all installment payments that were made during the tax year under both the prior-year safe harbor method and the standard option annualization method. Attach a statement that explains the computation.

Part III—Figuring the Underpayment

Line 6. Enter the estimated tax payments made by the partnership for its tax year, as indicated below. Include any overpayment from line 13 of the partnership's 2024 Form 8804 that was credited to the partnership's first installment period on its 2025 Form 8804. If an installment is due on a Saturday, Sunday, or legal holiday, payments made on the next day that isn't a Saturday, Sunday, or legal holiday are considered made on the due date to the extent the payment is applied against that required installment.

Also, include on line 6 any of the following.

- Section 1446 tax paid or withheld by another partnership in which the partnership filing this Schedule A (Form 8804) was a partner during the tax year. See the instructions for Form 8804, lines 6b and 6c, in the Instructions for Forms 8804, 8805, and 8813.
- Section 1445(a) or 1445(e) tax withheld from or paid by the partnership filing this Schedule A (Form 8804) during the tax year for a disposition of a U.S. real property interest. See the instructions for Form 8804, lines 6d and 6e, in the Instructions for Forms 8804, 8805, and 8813.
- Section 1446(f)(1) tax withheld from the partnership filing this Schedule A (Form 8804) during the tax year for a disposition of an interest in a partnership engaged in the conduct of a U.S. trade or business. See the instructions for Form 8804, lines 6f and 6g, in the Instructions for Forms 8804, 8805, and 8813.

Line 6, column (a) through (d). Enter the corresponding payments made on or before the due date for each of the dates entered on line 4, columns (a) through (d). Do not include any payments made after the due date for that column.

Note: A payment of estimated tax is applied against unpaid installments in the order in which installments are required to be paid, regardless of the installment to which the payment pertains, with any excess applied against successive later installments. See Example 3 under *Part VII—Figuring the Penalty*, later.

Line 12. If any of the columns in line 12 shows an underpayment, complete Part VII to figure the penalty.

Parts IV Through VI

Extraordinary items. Generally, under the annualized income installment method, extraordinary items must be taken into account after annualizing the ECTI for the annualization period. Similar rules apply in determining ECTI under the adjusted seasonal installment method. An extraordinary item includes:

- Any item identified in Regulations section 1.1502-76(b)(2)(ii)(C)(1), (2), (3), (4), (7), and (8);
- A section 481(a) adjustment; and
- Net gain or loss from the disposition of 25% or more of the fair market value of the partnership's business assets during the tax year.

These extraordinary items must be accounted for in the appropriate annualization period. However, a section 481(a) adjustment (unless the partnership makes the alternative choice under Regulations section 1.6655-2(f)(3)(ii)(C)) is treated as an extraordinary item occurring on the first day of the tax year in which the item is taken into account in determining ECTI.

For more information regarding extraordinary items, see Regulations section 1.6655-2(f)(3)(ii) and the examples in Regulations section 1.6655-2(f)(3)(vii). Also, see Regulations section 1.6655-3(d)(3).

De minimis rule. Extraordinary items identified above resulting from a particular transaction that totals less than $1 million (other than a section 481(a) adjustment) can be annualized using the general rules of Regulations section

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1.6655-2(f) or, if the partnership chooses, can be taken into account after annualizing the ECTI for the annualization period.

Part IV—Adjusted Seasonal Installment Method

Note: Part IV doesn't reflect the lower preferential rates permitted under Regulations section 1.1446-3(a)(2). These were omitted because, for most taxpayers, the income reported in Part IV will be predominantly (or exclusively) ordinary income. If the partnership wishes to consider lower preferential rates for Part IV (and if the requirements outlined in the third paragraph of the line 31 instructions are met), it must attach a statement that appropriately expands lines 15 and 22 through 25 to show the applicable special types of income or gain and the applicable percentages (see, for example, lines 33 and 34 of this schedule). Also, Part IV, lines 15 and 22 through 25, don't provide the separate entries for corporate and non-corporate partners necessary to apply the rates on lines 25a and 25b. A partnership with corporate and non-corporate partners completing Part IV must attach a statement that appropriately expands lines 15 and 22 through 25 to show the amounts allocable to both types of partners.

The partnership can use the adjusted seasonal installment method only if the partnership's base period percentage for any 6 consecutive months of the tax year is 70% or more. The base period percentage for any period of 6 consecutive months is the average of the three percentages figured by dividing the ECTI for the corresponding 6-consecutive-month period in each of the 3 preceding tax years by the ECTI for each of their respective tax years. Figure the base period percentage using the 6-month period in which the partnership normally receives the largest part of its ECTI.

Example 2. An amusement park with a 2025 calendar tax year receives the largest part of its taxable income during a 6-month period, May through October. To figure its base period percentage for this 6-month period, the amusement park figures its ECTI for each May–October period in 2022, 2023, and 2024. It then divides the ECTI for each May–October period by the total ECTI for that particular tax year. The resulting percentages are 69% (0.69) for May–October 2022, 74% (0.74) for May–October 2023, and 67% (0.67) for May–October 2024. Because the average of 69% (0.69), 74% (0.74), and 67% (0.67) is 70% (0.70), the base period percentage for May–October 2025 is 70% (0.70). Therefore, the amusement park qualifies for the adjusted seasonal installment method.

Line 15. If the partnership has certain extraordinary items, special rules apply. Don't include on line 15 the de minimis extraordinary items that the partnership chooses to include on line 22b. See *Extraordinary items*, earlier.

Line 22b. If the partnership has certain extraordinary items of $1 million or more from a transaction, or a section 481(a) adjustment, special rules apply. Include these amounts on line 22b for the appropriate period. Also, include on line 22b the de minimis extraordinary items that the partnership chooses to exclude from line 15. See *Extraordinary items*, earlier.

Line 23. Enter the amount by which line 22c is being reduced for state and local taxes under Regulations section 1.1446-6(c)(1)(iii) and for certified foreign partner-level items submitted using Form 8804-C, Certificate of Partner-Level Items to Reduce Section 1446 Withholding. See *Reductions for State and Local Taxes* and *Certification of Deductions and Losses* in the Instructions for Forms 8804, 8805, and 8813, for additional information.

Part V—Annualized Income Installment Method

Line 30. Annualization periods. Enter on line 30, columns (a) through (d), respectively, the annualization periods for the option listed below. For example, if the partnership elected Option 1, enter on line 30 the annualization periods 2, 4, 7, and 10, in columns (a) through (d), respectively.

Caution: Use Option 1 or Option 2 **only** if the partnership elected to do so by filing **Form 8842** , Election To Use Different Annualization Periods for Corporate Estimated Tax, by the due date of the first required installment payment. Once made, the election is irrevocable for the tax year for which the election is to apply.

	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard Option	3	3	6	9
Option 1	2	4	7	10
Option 2	3	5	8	11

Line 31. Enter on lines 31a through 31e the ECTI allocable to all foreign partners for the months entered for each annualization period in columns (a) through (d) on line 30.

If the partnership has certain extraordinary items, special rules apply. Don't include on line 31a, 31b, 31c, 31d, or 31e the de minimis extraordinary items that the partnership chooses to include on line 33a, 33e, 33i, 33m, or 33q, respectively. See *Extraordinary items*, earlier.

With respect to lines 31c, 31d, and 31e, enter the specified types of income allocable to non-corporate partners if (a) the partners would be entitled to use a preferential rate on such income or gain (see Regulations section 1.1446-3(a)(2)), and (b) the partnership has sufficient documentation to meet the requirements of Regulations section 1.1446-3(a)(2)(ii).

If the partnership has net ordinary loss, net short-term capital loss, or net 28% rate loss, each net loss should be netted against the appropriate categories of income and gain to determine the amounts of income and gain to be entered on lines 31b, 31c, 31d, and 31e, respectively. See section 1(h) and Notice 97-59, 1997-45 I.R.B. 7, available at *IRS.gov/pub/irs-irbs/irb97-45.pdf*, for rules for netting gains and losses.

Line 32. Annualization amounts. Enter on line 32, columns (a) through (d), respectively, the annualization amounts shown in the table below for the option used for line 30. For example, if the partnership elected Option 1, enter on line 32 the annualization amounts 6, 3, 1.71429, and 1.2 in columns (a) through (d), respectively.

	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard Option	4	4	2	1.33333
Option 1	6	3	1.71429	1.2
Option 2	4	2.4	1.5	1.09091

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Lines 33a, 33e, 33i, 33m, and 33q. If the partnership has extraordinary items that total $1 million or more from a particular transaction, or a section 481(a) adjustment, special rules apply. Include these amounts on line 33a, 33e, 33i, 33m, or 33q, depending on the type of income against which the item applies, for the appropriate period. Also, include on line 33a, 33e, 33i, 33m, or 33q the de minimis extraordinary items that the partnership chooses to exclude from line 31a, 31b, 31c, 31d, or 31e, respectively. See *Extraordinary items*, earlier.

If the partnership has included on line 33a, 33e, 33i, 33m, or 33q any of the items referred to in the previous paragraph, write "EI" and the dollar amount of the item next to the affected line. Attach a statement that shows the income for that line before the extraordinary item, the amount of the extraordinary item, and the net amount. Also, include an explanation of the item, including the authority under which it is being claimed.

Lines 33b, 33f, 33j, 33n, and 33r. Enter the reduction amounts for state and local taxes under Regulations section 1.1446-6(c)(1)(iii). The netting rules under section 1(h) and *Notice 97-59* must be considered in determining the category of income the reduction amounts offset.

Lines 33c, 33g, 33k, 33o, and 33s. Enter the reduction amounts resulting from certified partner-level items received from foreign partners using Form 8804-C. See *Certification of Deductions and Losses* in the Instructions for Forms 8804, 8805, and 8813, for additional information. The netting rules of section 1(h) and *Notice 97-59* must be considered in determining the category of income the reduction amounts offset.

Part VI—Required Installments

Line 38. Before completing line 38 in columns (b) through (d), complete lines 39 through 43 in each of the preceding columns. For example, complete lines 39, 40, 42, and 43 in column (a) before completing line 38 in column (b).

Line 43. For each installment, enter the smaller of line 39 or line 42 on line 43. Also, enter the result on line 5.

Part VII—Figuring the Penalty

Complete Part VII to determine the amount of the penalty. The penalty is figured for the period of underpayment using the underpayment rate determined under section 6621(a)(2). The period of underpayment runs from the installment due date to the earlier of the date the underpayment is actually paid or the 15th day of the 3rd month after the close of the 2025 tax year (the 15th day of the 6th month if the partnership keeps its books and records outside the United States and Puerto Rico). The underpayment rate is the federal short-term rate plus 3 percentage points (2% in the case of a corporation). See section 6655 for definitions for underpayment amount and underpayment period. For information on obtaining the federal short-term interest rate on underpayments denoted by an asterisk, see the footnote on page 5 of the schedule.

A payment of estimated tax is applied against unpaid required installments in the order in which installments are required to be paid, regardless of the installment to which the payment pertains, with any excess applied against successive later installments.

Example 3. A partnership underpaid the April 15 installment by $1,000. The June 15 installment requires a payment of $2,500. On June 11, the partnership pays $2,500 for its June 15 installment. However, $1,000 of this payment is applied against the April 15 installment. The penalty for the April 15 installment is figured to June 11 (57 days). The remaining $1,500 is applied to the June 15 installment as if it were made on June 15.

If the partnership has made more than one payment for a required installment, attach a separate computation for each payment.

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