

## 2015 New Mexico Instructions for S-CORP, Sub-Chapter S Corporate Income and Franchise Tax Return

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**READ THE INSTRUCTIONS CAREFULLY.** They will answer most questions, save time and may save money. You may also want to read Publication FYI-350 - *Corporate Income and Corporate Franchise Tax*, which explains in more detail various aspects of the New Mexico corporate income and franchise tax program. File your return as early as possible. If you have additional questions or you want a copy of FYI-350, visit our website at: [www.tax.newmexico.gov](http://www.tax.newmexico.gov).

Our contact information is: Telephone: (505) 827-0825 in Santa Fe or toll free (866) 809-2335, select option 4

E-mail: [CIT.TaxReturnHelp@state.nm.us](mailto:CIT.TaxReturnHelp@state.nm.us)

Mailing address: New Mexico Taxation and Revenue Department  
ATTENTION: Corporate Income and Franchise Tax  
P. O. Box 25127  
Santa Fe, New Mexico 87504-5127

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### These Instructions Cover the Following Forms:

- S-Corp, *Sub-Chapter S Corporate Income and Franchise Tax Return*
- S-Corp-1, *Income Taxable to Owners*
- S-Corp-A, *New Mexico Apportionment Factors Schedule*
- S-Corp-B, *Allocated Non-business Income Taxable to Owners*
- S-Corp-C, *Allocated and Apportioned Income Taxed to S-Corporations*
- S-Corp-CR, *Tax Credit Schedule*
- S-Corp-EXT, *Extension Payment Voucher*
- S-Corp-PV, *Tax Payment Voucher*
- S-Corp-ES, *Estimated Tax Payment Voucher*
- RPD-41367, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity*
- PTW-PV, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity Payment Voucher*
- PTW-EXT, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity Extension Payment Voucher*

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### 2015 Legislative Summary

For information about New Mexico tax law changes enacted during 2015, see Bulletin B-100.27, *2015 Legislative Summary*. Legislative summaries are available for each year, providing a brief description of new legislation passed during that year affecting the Taxation and Revenue Department. Visit our web page and click on "Forms & Publications", then search the "Publications" for the Legislative Summary for the year in which the legislation passed.

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### Your Electronic Services

- ◆ **File 2015 Form S-corp Online.** New Mexico's Taxation and Revenue Department made online filing available for Sub-Chapter S Corporate Income and Franchise Tax Returns. Using Taxpayer Access Point (TAP), you may file your return online. On the Department's web site, click on **Online Services** and then **File a Return**. First-time filers will need to create a login name and password. See How-to Videos on the TAP homepage to watch the **Signing Up for TAP** video. All TAP users must add access to their CIT account. Watch the **Adding Access to Accounts** video.
- ◆ **2015 Sub-Chapter S Corporate Income and Franchise Tax Returns may be electronically filed through approved third-party software.** In 2014, the Department began working with a limited set of third party tax preparation software developers to develop online filing for business income tax returns through the Federal/State filing program. You may now, file the following New Mexico business income tax forms online using software:
  - Corporate Income and Franchise Tax ,
  - Sub-Chapter S Corporate Income and Franchise Tax,
  - Pass-Through Entity Information Report, and
  - Form RPD-41367, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity*.

**NEW:** If you file your 2015 S-Corp return and pay your tax online, your filing deadline is **March 30, 2016, or on or before the 30th day of the third month following the end of the tax year**. To avoid penalty or interest, you must electronically file your return **and** electronically pay your tax due. The extended due date also applies to filing Form RPD-41367.

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## **Contact our local offices . . .**

**Local Taxation and Revenue Department Offices:** Local tax offices can provide full service and information about New Mexico's taxes, programs and forms and specific information about your filing situation. If you have questions or require additional information, you may contact your local Taxation and Revenue Department Office.

### **ALBUQUERQUE:**

Taxation & Revenue Department  
Bank of the West Building  
5301 Central Ave., NE  
P.O. Box 8485  
Albuquerque, NM 87198-8485  
Telephone: **(505) 841-6200**

### **FARMINGTON:**

Taxation & Revenue Department  
3501 E. Main Street, Suite N  
P.O. Box 479  
Farmington, NM 87499-0479  
Telephone: **(505) 325-5049**

### **LAS CRUCES:**

Taxation & Revenue Department  
2540 S. El Paseo, Building #2  
P.O. Box 607  
Las Cruces, NM 88004-0607  
Telephone: **(575) 524-6225**

### **ROSWELL:**

Taxation & Revenue Department  
400 North Pennsylvania, Suite 200  
P.O. Box 1557  
Roswell, NM 88202-1557  
Telephone: **(575) 624-6065**

### **SANTA FE:**

Taxation & Revenue Department  
1200 South St. Francis Drive  
P.O. Box 5374  
Santa Fe, NM 87502-5374  
Telephone: **(505) 827-0951**

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## **In addition . . .**

Forms, instructions and general information brochures are available on the Department's Internet home page.

Our address is:

[www.tax.newmexico.gov](http://www.tax.newmexico.gov)

Call (505) 827-0825 in Santa Fe or toll free at (866) 809-2335, select option 4.

E-mail us at [CIT.TaxReturnHelp@state.nm.us](mailto:CIT.TaxReturnHelp@state.nm.us)

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## **Electronic Services . . .**

You can electronically file and pay through the Internet.

- **Electronic Check**
- **Tax Payments Using Visa, Mastercard, American Express or Discover\***

\* 2.40% convenience fee added for credit card payments

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## **Other Internet Services . . .**

- **Ask a Question** - E-mail us with your question. [CIT.TaxReturnHelp@state.nm.us](mailto:CIT.TaxReturnHelp@state.nm.us)
- **TAP - Taxpayer Access Point** -  
Find the status of your refund,  
Manage your tax account history, or  
Register your business.

Visit the Department's web file service page at:

[www.tax.newmexico.gov/Online-Services/Pages/Home.aspx](http://www.tax.newmexico.gov/Online-Services/Pages/Home.aspx)

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# GENERAL INSTRUCTIONS

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Please note that dollar rounding must be used when preparing all income tax returns. Ensure that you have included all attachments required for your return to be complete. Each New Mexico General Fund recipient appreciates your cooperation and compliance.

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## Answers to Commonly Asked Questions

**Do not** submit Schedule K-1 or equivalent forms with the S-Corp return.

To receive proper credit for withholding, all annual statements of income and withholding must be issued to the entity filing the New Mexico return.

Entities that file S-Corp, *New Mexico Sub-Chapter S Corporate Income and Franchise Tax Return*, do not also file the PTE, *New Mexico Information Return for Pass-Through Entities*. Entities that file the S-Corp return may be required to file Form RPD-41367, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity*, instead.

If granted an exemption to electronically file Form RPD-41367, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity*, or if you have 50 or fewer New Mexico payees and choose to file Form RPD-41367 in paper format, submit that form as an attachment to the S-Corp, *S Corporate Income and Franchise Tax Return*.

## For More Information On . . .

**Profit and Non-Profit Corporate Reporting, go to:**

[http://www.sos.state.nm.us/Business\\_Services/](http://www.sos.state.nm.us/Business_Services/)

Office of the New Mexico Secretary of State  
Corporations Bureau  
325 Don Gaspar, Suite 300  
Santa Fe, NM 87501

E-mail: [corporations@state.nm.us](mailto:corporations@state.nm.us)

Call (505) 827-4511 in Santa Fe or toll free (800) 477-3632

## ENTITIES REQUIRED TO FILE A NEW MEXICO SUB-CHAPTER S CORPORATE INCOME AND FRANCHISE TAX RETURN

Corporations and Limited Liability Companies (LLCs) electing to be taxed as S corporations for federal income tax purposes must file a *New Mexico S Corporate Income and Franchise Tax Return*, (S-Corp) if the entity is registered to do business in the state, transacts business in, into or from the state, or derives any income from property or employment within the state.

**EXCEPTION:** The following entities are exempt and are **not** required to file a *New Mexico Sub-chapter S Corporate Income and Franchise Tax Return*:

- Insurance companies and reciprocal or inter-insurance exchanges which pay a premium tax to New Mexico; and
- Rural electric cooperatives established under the Rural Electric Cooperative Act, Section [62-15-28 NMSA 1978].

## ENTITIES REQUIRED TO PAY THE NEW MEXICO FRANCHISE TAX

All S corporations engaging in business in New Mexico and every domestic or foreign corporation having or exercising its corporate franchise in this state, **whether actively engaged in business or not**, must file a New Mexico S-Corp return and pay the \$50 franchise tax even if no income tax is due. This includes “disregarded” corporations doing business in New Mexico. The only exceptions are:

- Corporations exempt from federal income tax under the Internal Revenue Code that have no unrelated business income;
- Insurance companies and reciprocal or inter-insurance exchanges which pay a premium tax to New Mexico, and
- Rural electric cooperatives established under the Rural Electric Cooperative Act.

Limited liability companies that are required or elect to file as a corporation for federal income tax purposes and exercise its franchise in New Mexico pay the New Mexico franchise tax.

Taxpayers who have no nexus in New Mexico pursuant to P.L. 86-272 are not immune from paying New Mexico franchise tax.

## WHICH RETURN TO FILE

FISCAL YEAR FILERS AND SHORT YEAR FILERS use the S-Corp return applicable to the tax year in which

If you file <b>Federal form</b> ...	You must file <b>New Mexico form</b> ...
1065 U.S. Return of Partnership Income	PTE Information Return for Pass-Through Entities
1120 U.S. Corporation Income Tax Return	CIT-1 Corporate Income and Franchise Tax Return
1120S U.S. Income Tax Return for an S Corporation	S-Corp Sub-Chapter S Corporate Income and Franchise Tax Return
1040 U.S. Individual Income Tax Return	PIT-1 Personal Income Tax Return
1041 U.S. Income Tax Return for Estates and Trusts	FID-1 Fiduciary Income Tax Return

the fiscal year or short year begins. For example, if the tax year begins in June 30, 2015, use the 2015 S-Corp return, regardless of the ending date of the tax year.

In general, the federal return that you are required or elect to file determines the New Mexico income tax return that you file. See the chart on the previous page.

If your business does not file a New Mexico S-Corp return, New Mexico may require you to file one of the following returns for New Mexico instead:

- CIT-1, *New Mexico Corporate Income and Franchise Tax Return*,
- PTE, *New Mexico Information Return for Pass-Through Entities*,
- PIT-1, *New Mexico Personal Income Tax Return*, or
- FID-1, *New Mexico Fiduciary Income Tax Return*.

**NOTE:** Entities that file a 2015 S-Corp, *New Mexico Sub-Chapter S Corporate Income and Franchise Tax Return*, **do not** also file a 2015 PTE, *New Mexico Information Return for Pass-Through Entities*. **NOTE:** An entity that files the S-Corp return may be required to file Form RPD-41367, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity*.

#### **If You File Federal Form 1120**

Every entity having income from activities or sources within New Mexico that is required to file a federal corporation income tax return or equivalent return must file a New Mexico CIT-1 return. These include all corporations organized under the laws of the State of New Mexico and corporations exempt from federal income tax under the Internal Revenue Code which have unrelated business income.

#### **If You File Federal Form 1120S**

Corporations and Limited Liability Companies (LLCs) electing to be taxed as S corporations for federal income tax purposes must file a New Mexico *S Corporate Income and Franchise Tax Return* (S-Corp) if the entity is registered to do business in the state, transacts business in, into or from the state, or derives any income from prop-

erty or employment within the state.

Each owner of the partnership, limited liability corporation, S corporation or similar business association must include his or her share of the pass-through entity income on the New Mexico personal or corporate income tax return.

#### **If You File Federal Form 1120-REIT**

A Real Estate Investment Trust (REIT), which does business in New Mexico and files a federal Form 1120-REIT, must file a New Mexico S-Corp return.

#### **If You File Federal Form 1041**

Estates and trusts are subject to New Mexico personal income tax. The fiduciary for an estate or trust must file a FID-1 return.

Each beneficiary of an estate or trust must include his or her share of the estate or trust income on the New Mexico personal or corporate income tax return even if the estate or trust was not required to file FID-1.

#### **If You File Federal Form 1040, 1040A or 1040EZ**

If you are a New Mexico resident, you must file a New Mexico return if you meet any of the following conditions:

- You have to file a federal return.
- You want to claim a refund of any New Mexico state income tax withheld from your pay.
- You want to claim any New Mexico rebates or credits.

New Mexico's law says every person who has income from New Mexico sources and who is required to file a federal income tax return must file a personal income tax return in New Mexico. This includes non-residents who have income from wages, rents, royalties, businesses, estates...every New Mexico source. Even foreign nationals and persons who reside in states that do not have income taxes must file here when they have a federal filing requirement and have income from any New Mexico source whatsoever.

A single-owner LLC or similar organization doing business in New Mexico who is required to or elects to file a federal

Form 1040 Schedule C instead of a federal corporate income tax return or a federal pass-through entity return, must file a New Mexico PIT-1 return. No franchise tax is due.

Anon-resident owner's and remittee's requirement to file a New Mexico personal income tax return is met when the PTE or remitter withholds from oil and gas proceeds and/or pass-through entity withholding and the owner or remittee has no other income from New Mexico sources.

**Obtaining Forms:** All New Mexico Taxation and Revenue Department forms, instructions and information brochures are available on the Department's Internet home page. Our address is: [www.tax.newmexico.gov](http://www.tax.newmexico.gov). Forms are also available at any New Mexico Taxation and Revenue Department district offices listed on page 2 of these instructions. You may also request forms by calling (505) 827-2206 in Santa Fe or toll free (866) 809-2335, select option 4.

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### **DEFINITION OF A PASS-THROUGH ENTITY**

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*"Pass-through entity"* means a personal services business or any other business association other than:

- A sole proprietorship;
- An estate or trust that does not distribute income to beneficiaries;
- A corporation, limited liability company, partnership or other entity not a sole proprietorship taxed as a corporation for federal income tax purposes for the tax year;
- A partnership that is organized as an investment partnership in which the partner's income is derived solely from interest, dividends and sales of securities;
- A single member limited liability company that is treated as a disregarded entity for federal income tax purposes, or
- A publicly traded partnership as defined in Subsection (b) of Section 7704 of the Internal Revenue Code.

*"Personal Services Business"* means a business organization that receives payments for the services of a per-

forming artist for purposes of the film production tax credit.

An estate or trust that distributes income to beneficiaries is also a pass-through entity, but files a FID-1 return instead of a PTE return.

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### **WITHHOLDING AND ADDITIONAL REPORTING REQUIREMENTS FOR S CORPORATIONS WHO ARE PASS-THROUGH ENTITIES**

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A pass-through entity (PTE) who is subject to withholding tax from its non-resident owners, partners, members, or beneficiaries (owners) net income according to the Oil and Gas Proceeds and Pass-Through Entity Withholding Tax Act, (Sections 7-3A-1 through 7-3A-9 NMSA 1978) must annually report each owner's share of net income allocable to New Mexico and remit the New Mexico tax withheld for each owner.

The required annual report is Form RPD-41367, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity*. The PTE must report for all owners and except for personal services businesses, mark the indicator box on Form RPD-41367, if the PTE entered into an agreement with the owner that the owner files and pays the tax due on the allocable net income of the PTE. A PTE that is a personal service business cannot enter into an agreement with its owners. Form RPD-41367 is due, even if no tax was withheld.

**File Electronically:** If a PTE has 51 or more payees who receive New Mexico net income, the PTE is required to electronically file Form RPD-41367 through the Department's website. If the PTE has 51 or more New Mexico payees, and is unable to file electronically because a hardship exists, the PTE may request Department approval to file by paper. The PTE may request approval by filing Form RPD-41350, *E-File Exception Request Form*. The request must be received by the Department at least 30 days before the taxpayer's electronic report is due.

If the PTE has 50 or fewer beneficiaries who receive New Mexico taxable

net income, the PTE may submit the completed RPD-41367 with the S-Corp return, or may file online.

If a PTE has 51 or more payees, the PTE may file Form RPD-41367 through the Department's website or through approved third-party software. When required to file electronically, a paper filed Form RPD-41367 will be rejected by the Department.

Certain exceptions to the requirement to withhold are allowed, and documentation must be maintained in the PTE's records to establish that the PTE had reasonable cause for not withholding. A complete list of exceptions is provided in the instructions for Form RPD-41367.

Form RPD-41367 is due on or before the due date of the entity's federal return for the taxable year. If a pass-through entity is not required to file a federal income tax return for the tax year, the entity must file Form RPD-41367 with the Department no later than 105 days after the end of its taxable year.

If a federal automatic extension or a New Mexico extension is obtained for the PTE return, the extension also applies to the filing of Form RPD-41367. An extension waives penalty through the extension due date, but does not waive interest.

To make an extension payment, complete Form PTW-EXT, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity Extension Payment Voucher*, and mail the payment and the voucher to the address on the voucher.

**Note:** When you provide a check as payment, you authorize the Department to use information from your check to make a one-time electronic fund transfer from your account. When we use information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day you make your payment.

**Other Reporting Requirements:** PTEs are also required to provide sufficient information to enable the owners to comply with the provisions of

the Income Tax Act and the Corporate Income and Franchise Tax Act, with respect to the owner's share of the net New Mexico income. A PTE that uses a Schedule K-1 or equivalent form to report to the owners, their share of the net income must also provide its owners federal Forms 1099-Misc, *pro forma* 1099-Misc, or Form RPD-41359, to report to the owners the allocable net income and the New Mexico tax withheld. A Schedule K-1 may not be used by the owners to obtain credit for New Mexico tax withheld.

Forms 1099-Misc, *pro forma* 1099-Misc, or Form RPD-41359, *Annual Statement of Pass-Through Entity Withholding*, must be provided to the owner by February 15th of the year following the year for which the statement is made. **The PTE is not required to submit these forms to the Department.**

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### **REQUIRED ATTACHMENTS TO S-CORP RETURN**

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**NOTE:** We can process your return more quickly if you submit your forms and attachments in the following sequence:

- **S-Corp:** *New Mexico Sub-Chapter S Corporate Income and Franchise Tax Return*.
- **S-Corp-1:** *Income Taxable to Owners*, computing the total of New Mexico taxable income applicable to all owners.
- **S-Corp-A:** *New Mexico Apportionment Factors*, if the entity has income from sources both inside and outside New Mexico.
- **S-Corp-B:** *Allocated Non-business Income Taxable to Owners*, if the entity has non-business taxable income.
- **S-Corp-C:** *Allocated and Apportioned Income Taxed to S Corporations*, if the entity is an S corporation with federal taxable income.
- **S-Corp-CR, if applicable:** *Tax Credit Schedule*, and required attachments.
- **Federal Form 1120S, pages 1 through 5.**
- **Other attachments** as required by instruction.



**NOTE: If any of these forms are omitted when required, the New Mexico return is incomplete.**

If your return shows a balance due, complete **S-Corp-PV, Payment Voucher**, to include with your check or money order.

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### Other Forms or Attachments You May Have to File

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If an S corporation is a pass-through entity (PTE), and is not required to electronically file Form RPD-41367 because it has 50 or fewer payees or has obtained an exception for electronically filing Form RPD-41367 from the Department, submit the completed RPD-41367 with the S-Corp return. If payment is due, also complete Form PTW-PV, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity Payment Voucher*, and submit the check and payment voucher attached to Form RPD-41367, to the address on the voucher.

If a PTE has 51 or more payees who receive New Mexico net income, the PTE is required to electronically file Form RPD-41367 through the Department's website. Then, the report is filed separately.

Acopy of the **approved federal extension or the approved New Mexico extension** if the return is filed after the original due date of the return. If a copy is omitted, a late-filing penalty will be assessed.

**All annual information returns and withholding statements issued to the S-Corp.** Attach a copy of all annual information returns and withholding statements showing income and New Mexico income tax withheld, if reporting amounts withheld on lines 12 or 13 of the S-Corp return. Attach New Mexico forms RPD-41285, *Annual Statement of Withholding of Oil and Gas Proceeds*, RPD-41359, *Annual Statement of Pass-Through Entity Withholding*, or federal Form 1099-Misc or equivalent.

**IMPORTANT:** To receive proper credit for withholding, all annual statements must be issued to the entity filing the New Mexico income tax return. A

Schedule K-1 or equivalent is not sufficient evidence of New Mexico income tax withheld.

**Federal Forms and Schedules.** The Department may require you to furnish a true and correct copy of your federal tax return and attachments.

### Schedule CC, *Alternative Tax Schedule*. Corporations that

- have no business activity in New Mexico other than sales;
  - do not own or rent real estate in New Mexico; and
  - have annual gross sales in New Mexico of \$100,000 or less
- qualify to use the alternative tax for computing New Mexico corporate income tax.

Schedule CC must be attached to the return. See the instructions for line 4 of the S-Corp return.

To claim the renewable energy production tax credit, attach **Form RPD-41227, Renewable Energy Production Tax Credit Claim Form**, and enter the amount claimed on Schedule S-Corp-CR.

To claim **Approved Film Production Tax Credit**, you must attach **Form RPD-41228, Film Production Tax Credit Claim Form**, to the return. Report the amount claimed on Schedule S-Corp-CR.

See the *line instructions for completing Schedule S-Corp-CR* on page 16 for a description of the **attachments required to claim any of the business-related credits** listed. For more information on business-related credits, also see Publication FYI-106, *Claiming Tax Credits for CRS Taxes & Business-Related Income*.

Publications and forms may be downloaded from the TRD website at [www.tax.newmexico.gov](http://www.tax.newmexico.gov). For assistance call (505) 827-0825 in Santa Fe or toll free (866) 809-2335, select option 4; send us an e-mail at [CIT.TaxReturnHelp@state.nm.us](mailto:CIT.TaxReturnHelp@state.nm.us) or visit your local district office.

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### PAYMENT OF THE S-CORP

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## INCOME AND FRANCHISE TAXES

**Making Payment Through the Internet.** Using the Department website, you may pay by electronic check at **no charge**. Your electronic check authorizes the Taxation and Revenue Department to debit your checking account in the amount and on the date you specify. Directions are available on the website. Pay your tax due online using the Department's website at <https://tap.state.nm.us>.

You may also make tax payments using any of these credit cards--Visa, MasterCard, American Express, or Discover Card--for your online payment. A convenience fee of 2.40% is applied for using a credit card. The State of New Mexico uses this fee, calculated on the transaction amount, to pay charges from the credit card companies.

**Making Payment by Check.** If you are making a payment towards your S-Corp return you may pay the tax due on the Department's website, or by using S-Corp-PV, *Tax Payment Voucher*.

If you are making a payment towards your Form RPD-41367, you may pay by using PTW-PV, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity Payment Voucher*.

Do not combine payments towards the S-Corp return and the Form RPD-41367 on the same check or money order. If you combine payments, it is likely they will not be credited to your account in the way you would wish.

Whether you submit your return payment with or without your tax return, complete S-Corp-PV, *Sub-Chapter S Corporate Income and Franchise Tax Payment Voucher*. Write your federal employer identification number (FEIN) and "2015 S-Corp" on your check or money order. Make the check or money order payable to New Mexico Taxation and Revenue Department.

**Note:** When you provide a check as payment, you authorize the Department to use information from your check to make a one-time electronic fund transfer from your account. When we use

information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day you make your payment.

If making an extension payment, complete S-Corp-EXT, *Sub-Chapter S Corporate Income and Franchise Tax Extension Payment Voucher*. Write your federal employer identification number (FEIN) and "2015 S-Corp-EXT" on the check or money order.

If you make an estimated payment, complete S-Corp-ES, *Sub-Chapter S Corporate Income and Franchise Estimated Tax Payment Voucher*, and submit the payment voucher and your payment. Write your federal employer identification number (FEIN) and "2015 S-Corp-ES" on the check or money order. **Important: The S-Corp-ES and the check or money order must indicate the correct tax year that the estimated payment should be applied to.**

The Department receives a large amount of payment vouchers WITHOUT the check or money order. **Please ensure that you submit the payment voucher only when a payment is included.**

**SUBMIT ONLY HIGH-QUALITY PRINTED, ORIGINAL FORMS TO THE DEPARTMENT.** Because the Department uses high-speed scanners when processing payment vouchers, a quality form helps ensure accuracy. Do not photocopy. The scanners can read only one page size to process vouchers, therefore it is important that you **cut on the dotted line only**. When printing the voucher from the Internet or a software product, prevent resizing by setting the printer's page scaling function to **none**. If your payment voucher has a scanline (a very long row of numbers) within the bottom 1 and 1/2 inch of the voucher, do not write in the area around the scanline.

**Separate Payments of Tax Due and Estimated Payments.** DO NOT combine payments for tax due on your 2015 return and payments for your 2016 estimated income tax liability on the same check or money order. If you

combine payments, it is likely they will not be credited to your account in the way you would wish.

Mail payments and payment vouchers to:

**Taxation and Revenue Department  
P. O. Box 25127  
Santa Fe, New Mexico 87504-5127**

A check that is not paid by the financial institution on which it is drawn does not constitute payment. The entity will be assessed a minimum penalty of \$20 in addition to other applicable penalties and interest.

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#### DUE DATE

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For S corporations that file on a calendar year basis, the 2015 New Mexico Sub-Chapter S Corporate Income and Franchise Tax Return is due on or before March 15, 2016, together with payment of taxes due.

For S corporations that file on a fiscal year basis, or file a short year return, the return is due on or before the 15th day of the third month following the close of the tax year with payment of taxes due.

NEW: If you file your 2015 S-Corp return and pay your tax online, your filing deadline is **March 30, 2016, or on or before the 30th day of the third month following the end of the tax year**. To avoid penalty or interest, you must electronically file your return and electronically pay your tax due. The extended due date applies to filing Form RPD-41367.

All other taxpayers must file by **March 15, 2016**, or on or before the 15th day of the third month following the end of the tax year.

A New Mexico income tax return and tax payment are timely if the United States Post Office postmark on the envelope bears a date on or before the due date. If the due date falls on a Saturday, Sunday, state or national legal holiday, the return is timely if the postmark bears the date of the next business day. Delivery through a private delivery service is timely if

the date recorded or marked by the private delivery service is on or before the due date.

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#### EXTENSION OF TIME TO FILE

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TRD accepts an extension of time granted by the Internal Revenue Service if a copy of the automatic or approved federal extension accompanies the S-Corp return at the time of filing.

If the entity needs an extension of time to file the New Mexico S-Corp return but has not obtained a federal extension, or if additional time to file the New Mexico return is needed beyond the federal extension date, the entity should request an extension by letter or by filing New Mexico **Form RPD-41096, Extension of Time to File**, on or before the due date of the return.

If a federal automatic extension or a New Mexico extension is obtained for the S-Corp return, the extension also applies to the filing of Form RPD-41367.

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#### EXTENSION PAYMENT

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An extension payment is made when either a federal automatic extension or a New Mexico extension has been obtained, and a payment towards the tax liability is made to avoid the accrual of interest. An extension of time to file your return does not also extend the time to pay. If tax is due, interest continues to accrue.

To make an extension payment see "Payment of the S-Corp Income and Franchise Taxes" starting on page 6 of these instructions. The S-Corp-EXT payment voucher is used to make an extension payment by mail.

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#### INTEREST AND PENALTIES

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**Interest:** Interest accrues on tax that is not paid on or before the due date of your return even if you receive an extension of time to file. *Interest is a charge for the use of money and by law cannot be waived.* Interest is computed on a daily basis, at the rate established for individual income tax purposes by the U.S. Internal Revenue Code (IRC).

The IRC rate changes quarterly. The

IRC rate for each quarter is announced by the Internal Revenue Service in the last month of the previous quarter. The annual rate for the prior two years has been 3%. The annual and daily interest rates for each quarter will be posted on our website at [www.tax.newmexico.gov](http://www.tax.newmexico.gov). Search for "Effective interest rates".

If the entity does not pay its New Mexico income or franchise tax when due, interest is assessed. **Interest accrues even if the entity obtains an extension of time to file a return.** The formula for calculating interest is:

$$\text{Tax due} \times \text{the daily interest rate for the quarter} \times \text{number of days late} = \text{interest due.}$$

Important: Once your principal tax liability is paid, penalty and interest stops accruing.

If you are due a refund, you may be entitled to interest on your overpayment at the same rate charged for underpayments, but only under certain conditions. The Department shall pay no interest if the refund is made within 55 days of the date of the claim for refund (for current year returns only), if the interest is less than \$1 or if your return cannot be processed. For processing to take place, your return must show your name, address, federal employer identification number or New Mexico Corporate ID number, signature and the information needed to mathematically verify your tax liability. The CRS identification number should also be included unless the entity is not required to have one.

**Negligence Penalty for Late Filing or Late Payment:** If a return is not filed or tax remains unpaid when due because of negligence or disregard of rules or regulations, but without intent to defraud, the entity is liable for a penalty of 2% of the tax due for each month, or partial month, from the date the return was due, not to exceed 20% of the amount of tax due. The penalty does not apply if there is an extension of time and the tax is paid by the extended due date. Calculate this penalty by multiplying the tax due by 2% times the number of months (including any

partial month as a full month) past the due date or extended due date.

### ESTIMATED TAX PAYMENTS

Every S corporation may be required to pay estimated corporate income tax if its tax, after applicable credits, is \$5,000 or more in the current year. The S-Corp-ES, payment voucher, is used for making estimated payments by mail. See "S-Corp-ES, *New Mexico Sub-Chapter S Corporate Income and Franchise Estimated Tax Payment Voucher*," on page 22 of these instructions for more information on how to compute the underpayment penalty and interest.

### AMENDED RETURNS

Use the S-Corp return for the year being amended and mark the checkbox at the top of page 1 of the form to indicate an amended return. Attach all required schedules. **NOTE:** If you filed a PTE return in a year prior to tax year 2011, amend using the PTE return for that year.

**NOTE:** Generally, you do not need to attach a copy of the previously filed New Mexico form as backup for the amended return. If you do attach a copy of the New Mexico form as backup, write "DO NOT PROCESS" across the face of the return.

If additional tax is due, include payment for the full amount. You may include interest calculated from the date the original return was due and any applicable penalty. If you wish the Department to compute penalty and interest for you, leave lines 17 and 18 blank.

If the New Mexico amended return reports changes as the result of filing

an amended federal return, attach copies of the applicable federal forms and schedules. In all other cases, attach an explanation of the changes. If the New Mexico amended return shows changes as the result of a Revenue Agent Report (RAR), the changes must be reported within 180 days of the date the federal adjustments are final. Attach a copy of the RAR.

### LINE INSTRUCTIONS FOR COMPLETING S-CORP RETURN

**Computerized schedule(s) WILL NOT be accepted in lieu of completing the appropriate forms. All applicable line items on the S-Corp return and Schedules S-Corp-1, S-Corp-A, S-Corp-B, S-Corp-C and S-Corp-CR, and federal Form 1120S, pages 1 through 5 must be completed for the return to be processed.**

**NOTE:** References to federal form line numbers correspond to the most recent federal forms available as of the date these instructions were finalized. If the references do not correspond to the federal form, use the applicable line from the federal form for the item described.

Round all dollar amounts to the nearest whole dollar.

Complete the taxpayer information at the top of the S-Corp return. Type or print the correct name, address, ZIP code and identification numbers in the spaces provided. Indicate if the return is an original or amended return by marking the appropriate box.

If you have a foreign address, enter the street address, city name and postal code in the appropriate line. Also complete the spaces for the foreign

### CORPORATE INCOME TAX RATES

<u>Net Taxable Income</u>	<u>Tax</u>
Not over \$500,000.....	4.8% of net taxable income
Over \$500,000 but not over \$1,000,000.....	\$24,000 plus 6.4% of the excess over \$500,000
Over \$1,000,000.....	\$56,000 plus 6.9% of the excess over \$1,000,000



province and/or state and country. Follow the country's practice for entering the foreign postal code, the province or state, and country. Do not abbreviate the country name.

Fiscal year and short year return filers must enter the beginning and ending dates (month, day, and year) of their tax year. No entry is required for calendar year filers.

If the due date has been extended, **write in the extended due date**. A copy of the extension must be attached to the return.

Enter the **NAICS (North America Industrial Classification System) Code**. The business activity code reported for New Mexico filing purposes will be the same as reported for federal purposes. If you don't know your NAICS code, refer to the instructions for your federal return. Federal forms and instructions can be downloaded from the IRS website, [www.irs.gov](http://www.irs.gov).

**NOTE:** The Department cannot process a return without the Federal Employer Identification Number (FEIN). Failure to provide the FEIN will result in processing delays and may cause the return to be rejected.

If the pass-through entity does not have a New Mexico CRS identification number, you may register the business online at <https://tap.state.nm.us>, to obtain a CRS identification number. If the pass-through entity does not require a New Mexico CRS identification number because the entity has no gross receipts, withholding or compensating tax reporting requirements, the New Mexico CRS identification number may be left blank.

## Complete Questions A through F.

**Question F. Immune from Nexus.** If you had no nexus in New Mexico (your New Mexico activities were immune from New Mexico corporate income tax under P.L. 86-272) for the 2015 tax year, enter zero on line 1 and mark the box on question F. You must also complete and attach Schedule S-Corp-A.

**Lines 1-4.** These lines are to be used S-Corp

by an S corporation with income subject to federal tax. The S corporation computes New Mexico income tax on lines 1 through 4.

**Line 2. Tax on amount on line 1.** Calculate tax due using the taxable income figure on line 1 and the Corporate Income Tax Rates table below. See the instructions to Question F, if you had no nexus in New Mexico (your New Mexico activities were immune from New Mexico corporate income tax under P.L. 86-272) for the 2015 tax year.

**Line 3. New Mexico percentage.** Enter 100% or complete Schedule S-Corp-C. Enter the percentage from line 5 of the S-Corp-C.

**Line 4. New Mexico income tax.** Multiply line 2 by line 3. If you qualify to file Schedule CC, *Alternative Tax Schedule*, because you have no business activities in New Mexico other than sales, you do not own or rent real estate in New Mexico, and you have annual gross income from sales in or into New Mexico of \$100,000 or less, then enter only the amount from line 3 of Schedule CC.

**Line 5. Total tax credits applied against the income tax liability on line 4.** If you may claim any of the tax credits listed next, complete Schedule S-Corp-CR and attach the applicable form(s), statements or other required back-up. Enter the sum of the credits claimed and applied against tax due from Schedule S-Corp-CR, line B. The supporting documentation required to claim any of the tax credits is described in the section "Schedule S-Corp-CR Line Instructions" beginning on page 16 of these instructions. The required documentation must accompany the return, or the claim for the credit will not be allowed.

To calculate the amount that may be claimed for any tax year, refer to the claim form or supporting instructions for the tax credit. The sum of credits claimed on Schedule S-Corp-CR may not exceed the income tax claimed on line 4 of S-Corp.

An S corporation with income subject to New Mexico income tax may be eligible

for the following corporate income tax credits:

- Affordable Housing Tax Credit,
- Agricultural Water Conservation Tax Credit,
- Advanced Energy Tax Credit,
- Agricultural Biomass Tax Credit,
- Business Facility Rehabilitation Credit,
- Blended Biodiesel Fuel Tax Credit,
- Corporate-supported Child-Care Credit,
- Electronic Card-Reading Equipment Tax Credit,
- Geothermal Ground-Coupled Heat Pump Tax Credit,
- Intergovernmental Business Tax Credit,
- Job Mentorship Tax Credit,
- Land Conservation Incentives Credit,
- Preservation of Cultural Property Credit,
- Rural Job Tax Credit,
- Sustainable Building Tax Credit,
- Technology Jobs (Additional) Tax Credit.
- Veterans Employment Tax Credit

**These credits may be claimed against the liability due only.**

You may also claim on this form any portion of the following approved credits that may be refunded:

- Film Production Tax Credit,
- Renewable Energy Production Tax Credit, and
- Technology Jobs and Research and Development (Additional) Tax Credit.

These credits may be applied against tax due in column C and refunded in column D. The refundable portion of the renewable these credits are reported on line 21 of the S-corp return.

For more information on business-related credits, see Publication FYI-106, *Claiming Tax Credits for CRS Taxes & Business-Related Income*. Publications and forms may be downloaded from the TRD website at

[www.tax.newmexico.gov](http://www.tax.newmexico.gov). For assistance call (505) 827-0825 in Santa Fe or toll free (866) 809-2335, select option 4; send us an e-mail at [CIT.TaxReturnHelp@state.nm.us](mailto:CIT.TaxReturnHelp@state.nm.us) or visit your local district office.

**Line 7. Franchise Tax.** Every domestic or foreign entity, inclusive of any qualifying subsidiary, taxed as a corporation must pay the \$50 franchise tax if it:

- Transacts business in, into or from New Mexico;
- Derives income from any property or employment within this state; or
- Has or exercises its corporate franchise in New Mexico, whether engaged in active business or not.

**Corporations electing to be treated as S corporations are not exempt from franchise tax.**

The \$50 franchise tax is due for each tax year, including short years. The franchise tax may not be prorated based on a short year return.

Taxpayers who have no nexus in New Mexico pursuant to P.L. 86-272, are not immune from paying New Mexico Franchise Tax.

**REMINDER: It is your responsibility to comply with all additional filing requirements imposed by the New Mexico Secretary of State, Corporations Bureau. For information call (888)477-3632 or visit their website at <http://www.sos.state.nm.us/Business/Services/>.**

**Line 11.** Enter the total amount of all extension payments, estimated payments and amounts applied from the prior year's return. Check the appropriate box(es) indicating the source of the payment(s).

**Line 12. New Mexico income tax withheld from oil and gas proceeds.** Enter the total of all New Mexico income tax withheld from oil and gas proceeds as shown on your annual withholding statements, 1099-Misc, or Form RPD-41285, *Annual Statement of Withholding of Oil and Gas Proceeds*. Be sure to include a copy of the forms with your S-Corp return.

On this line, only report New Mexico tax withheld on oil and gas proceeds you received. The tax withheld must be reported on one of the annual withholding statements mentioned above, and must be issued to you.

An entity that has had tax withheld cannot pass a withholding statement directly to any other taxpayer. Generally, the recipient must file and report the tax withheld on its New Mexico income tax return. However, if the recipient is also a remitter, the tax withheld on the oil and gas proceeds may be passed to the remitees by issuing the remitees an annual withholding statement, Form RPD-41285, *Annual Statement of Withholding of Oil and Gas Proceeds*. The remitees may then claim the withholding on their income tax return.

**Line 13. New Mexico income tax withheld from pass-through entities.** Enter the total of all New Mexico income tax withheld from pass-through entities (PTE) as shown on your annual withholding statements, 1099-Misc or Form RPD-41359, *Annual Statement of Pass-Through Entity Withholding*. Be sure to include a copy of the forms with your S-Corp return.

On this line, only report New Mexico tax withheld on net income from a pass-through entity that you received. The tax withheld must be reported on one of the annual withholding statements mentioned above, and must be issued to you.

An entity that has had tax withheld cannot pass a withholding statement directly to its owners, members, partners or beneficiaries (owners). Generally, the recipient must file and report the tax withheld on its New Mexico income tax return. However, if the recipient is also a pass-through entity, the tax withheld may be passed to the owner of the recipient by issuing the owner an annual withholding statement, Form RPD-41359, *Annual Statement of Pass-Through Entity Withholding*. The owners may then claim the withholding on their income tax return.

**Line 14. Amount from lines 12 and 13 passed to owners (Reported on**

**Form RPD-41367).** Enter the amount of tax withheld from the income of the S corporation filing this return, reported on lines 12 and 13, which is subsequently passed on to the owners, members or partners (owners) of the S corporation. Tax withheld and passed to owners is reported on Form RPD-41367, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity*.

#### **Passing withholding to owners**

An S-Corp that is a pass-through entity (PTE) may pass tax withheld to its owners by entering the withholding tax passed on line 14 of the S-Corp return and also reporting the withholding tax passed to the owners on Form RPD-41367.

An S corporation also reports withholding that is passed to the owners by issuing the owners Form RPD-41359, *Annual Statement of Pass-Through Entity Withholding*, Form 1099-Misc or a *pro-forma* Form 1099-Misc. The owners may then take credit for the withholding on their corporate or personal income tax return.

Because the S-Corp reports the income and withholding tax passed to the owners on Form RPD-41367, **the PTE does not need to submit copies of Forms 1099-Misc and RPD-41359 to the Department.**

#### **Withholding tax paid by the PTE**

Tax withheld from the owners and paid by the S corporation filing the return is not reported on the S-Corp return. Instead it is paid and reported on Form RPD-41367, *PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity*. An S corporation wishing to obtain a refund of tax withheld from the owners of the S corporation must amend Form RPD-41367, and claim a refund by attaching Form RPD-41373, *Application for Refund of Tax Withheld From Pass-Through Entities*, to Form RPD-41367.

**Line 15. Total payments and tax withheld.** Add lines 11 through 13, then subtract line 14 to compute the total payments and tax withheld.

**Line 16. Tax due.** If line 10 is greater

than line 15, subtract line 15 from line 10 and enter the difference on line 16. This is the amount of tax you owe.

**Line 17. Penalty.** Add penalty if you file late and owe tax or you do not pay the tax on or before the due date or the extended due date of the return. Calculate penalty by multiplying the unpaid amount on line 16 of the S-Corp return by 2% then by the number of months or partial months for which the payment is late, not to exceed 20% of the tax due or a minimum of \$5, whichever is greater. You may leave this line blank if you wish the Department to compute the penalty for you. The Department will send you a bill.

**Line 18. Interest.** Add interest if the amount of tax due on line 16 was not paid by the original due date, **even if an extension of time to file was obtained.** You may leave this line blank if you wish the Department to compute the interest for you. The Department will bill you for any interest due.

**IMPORTANT: Once your principal tax liability is paid, penalty and interest stops accruing.**

Interest is computed on a daily basis, at the rate established for individual income tax purposes by the U.S. Internal Revenue Code (IRC). The IRC rate changes quarterly. The IRC rate for each quarter is announced by the Internal Revenue Service in the last month of the previous quarter. The annual and daily interest rate for each quarter will be posted on our website at [www.tax.newmexico.gov](http://www.tax.newmexico.gov) Search for "Effective interest rates".

The formula for calculating daily inter-

est is:

$$\text{Tax due} \times \text{the daily interest rate for the quarter} \times \text{number of days late} = \text{interest due.}$$

**Line 20. Overpayment.** If line 15 is greater than line 10, subtract line 10 from line 15 and enter the difference on line 20. This is your overpayment. All or part of an overpayment on an original return may be applied to the 2015 liability. Indicate the amount of overpayment you want applied to your 2015 liability on line 20a, and/or the amount of overpayment you wish to be refunded on line 20b.

**Line 21. Total portion of tax credits to be refunded.** Enter the portion of approved tax credits to be refunded to you, reported on line B of Schedule S-Corp-CR.

Any portion of the credit to be applied to the tax due on this return must also be entered on Schedule S-Corp-CR, but is reported on line 5 of the S-Corp return.

If claiming the renewable energy production tax credit, attach Form RPD-41227, *Renewable Energy Production Tax Credit Claim Form*. If claiming the film production tax credit, attach Form RPD-41228, *Film Production Tax Credit Claim Form*. If claiming the technology jobs research and development (additional) tax credit, attach Form RPD-41244, *Technology Jobs and Research and Development Tax Credit Claim Form*.

**NOTE:** The amount of film production tax credit you may claim against your tax due on this return and the amount that you may receive as a refund are

subject to certain limitations governing the payment of film production tax credit claims. See the instructions for Form RPD-41228, *Film Production Tax Credit Claim Form*, for details regarding these limitations and how your return may be impacted.

For a description of the credits, see "Schedule S-Corp-CR Line Instructions" beginning on page 16 of these instructions.

**Line 22. Total refund of overpaid tax and refundable credit due to you.** Enter the sum of lines 20b and 21. This is your total refund of overpaid tax and refundable credit due to you.

**Refund Express**

If you request an amount to be refunded to you on line 22, you may wish to have your tax refund deposited directly into your bank account through Refund Express. To choose Refund Express, complete the "Refund Express" portion of the S-Corp return. All fields are required. Complete the bank routing number, the account number, and you **must** mark the appropriate box to indicate the type of account. Failure to complete all fields will cause your Refund Express request to be denied, and the Department will mail you a paper check.

See the instructions for the film production tax credit claim form, Form RPD-41228, for information regarding choosing refund express for the refundable portion of the film production tax credit on line 21.

**Important Changes Affecting Refund Express - Direct Deposit**

A direct deposit of your refund, "Refund Express", may not be made to a bank account located at a financial institution outside the territorial jurisdiction of the United States. In order to comply with new federal banking rules, anyone wishing to have their refund directly deposited into their account must answer an additional question when completing the Refund Express portion of their return.

If you do not answer the question, your refund will be mailed to you in the form

**S CORPORATION'S NAME**  
123 Main Street  
Anyplace, NM 87000

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

ANYPLACE BANK  
Anyplace, NM 87000

Routing Number: 211500151  
Account Number: 2015551517

For: A 211500151 A 2015551517 C 1540

1540  
15-000000000

Do not include the check number

**SAMPLE**

of a paper check. If you answer the question incorrectly, your refund may be delayed, rejected or frozen by the National Automated Clearing House Association (NACHA) or the Office of Foreign Assets Control (OFAC). The question asks whether the refund will go to or through an account located outside the United States. The question also warns you that if the answer is "yes", you should not choose the Refund Express method of delivering your refund. Your options are to use a different bank account or to leave the Refund Express portion of your return blank and a paper check will be mailed to the address on the return.

A financial institution is located within the territorial jurisdiction of the United States if it is:

- located within the United States;
- located on a United States military base; or
- located in American Samoa, Guam, the Northern Mariana Islands, Puerto Rico or the U.S. Virgin Islands.

The Department will mail you a paper check if your bank does not accept your Refund Express information.

Refund express is available for deposits to the taxpayer's account *only*. **Taxpayers may not request the funds to be deposited into the account of another payee.**

TRD is not responsible for the misapplication of a direct deposit refund that is caused by the error, negligence or malfeasance on the part of the taxpayer. Verify that you enter the correct bank information.

### Why Use Refund Express?

- Avoid delays that may occur in mailing a check. Refund Express does not guarantee that you will receive your refund check earlier, however - only that when the check is issued, it will reach the bank more quickly.
- Payment is more secure. There is no check to get lost.
- More convenient. No trip to the bank to deposit your check.
- Saves tax dollars. A refund by direct deposit costs less than a check.

### What is the Routing Number?

The routing number is for bank identification and **must be nine digits**. If the first two digits are not 01 through 12 or 21 through 32, the system will reject the direct deposit and you will receive a check. On the sample check on this page, the routing number is 211500151.

Your check may state that it is payable through a bank different from the financial institution where you have your checking account. If so, do not use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter on this line.

### Entering Your Account Number

Your account number can be up to 17 characters. Include hyphens, but omit spaces and special symbols. Enter the number from left to right. Leave unused boxes blank. On the sample check on this page, the account number is 2015551517. **Do not** include the check number.

You **must** indicate the **type of account**. Enter an "X" in the "checking" box if the account is a checking account or in the "savings" box if the account is a savings account. This field is required.

**Caution:** Verify that the information you enter is correct and that your financial institution will accept a direct deposit made payable to the name on the S-Corp return. **NOTE:** The Taxation and Revenue Department is not responsible if a financial institution refuses a direct deposit.

You must answer whether the funds for this payment will go to or through an account located outside the territorial jurisdiction of the United States. The required response is "No". New federal banking rules require that you answer this question.

See *Important Changes Affecting Refund Express - Direct Deposit*, on page 12.

### Collection of Debts from Your Refund

The Department will keep all or part of your overpayment if you owe other taxes to the Department. We will apply that amount to the liability and notify you.

The law also requires the Department to transfer all or part of your overpayment if you owe amounts due under the Unemployment Compensation Law or the Workers' Compensation Administration Act. Any amount over your liability and debt will be refunded.

**SIGNATURE. The return must be signed and dated by an officer, member or partner of the entity.** Complete all information, including a phone number and e-mail address.

Any person, other than an employee of the entity, preparing the return for compensation must also sign and date the return. A preparer other than an employee of the entity must enter the paid preparer's identifying information in the section, "*Paid preparer's use only*", next to the taxpayer's signature. Enter the preparer's New Mexico CRS identification number, if the preparer has one, and the Federal Employer Identification Number (FEIN), if applicable. All paid preparers must enter their Preparer's Taxpayer Identification Number (PTIN).

An improperly signed or unsigned return will be considered invalid for filing purposes, and penalty and interest may be assessed.

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## SCHEDULE S-CORP-1 LINE INSTRUCTIONS

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### LINES 1-12. COMPUTATION OF NET INCOME TAXABLE TO OWNERS

**LINE 1. ORDINARY INCOME (LOSS) FROM FEDERAL FORM 1120S, SCHEDULE K.** Enter the ordinary income or loss as recognized from federal tax return Form 1120S, Schedule K.

**LINE 2. OTHER INCOME (LOSS) FROM FEDERAL FORM 1120S, SCHEDULE K.** Except for guaranteed payments to partners and health insurance payments made on behalf of the partners or partners' dependents, enter



the summation of all other income or losses recognized on federal tax return Form 1120S, Schedule K.

**LINE 3. INTEREST INCOME FROM MUNICIPAL BONDS (EXCLUDING NEW MEXICO BONDS).** Enter interest income from non-New Mexico state and local bonds not subject to federal income tax under IRC Section 103.

**LINE 5. INTEREST FROM U.S. GOVERNMENT OBLIGATIONS OR FEDERALLY TAXED NEW MEXICO BONDS.** Interest or dividend income from U.S. government obligations is deductible from the corporation's taxable income only if, and to the extent that, it was included in taxable income on line 1. Expenses related to income from U.S. obligations must be subtracted, and the net amount entered.

**NOTE:** Income from Fannie Mae, Ginnie Mae, Freddie Mac and other U.S. guarantee entities is not deductible. Income from repurchasing agreements of U.S. obligations (REPOs) is not deductible. Interest on notes issued by Federal Home Loan Bank obligations are deductible, but not dividends issues by the Federal Home Loan Bank. That portion of income paid by mutual funds, unit investment trusts, and simple trusts which is derived from investments in U.S. obligations may be deducted.

Interest income for bonds issued by the State of New Mexico or its political subdivisions may also be deducted on this line to the extent that income was included in federal taxable income.

**LINE 6. ALLOWABLE DEDUCTIONS FROM SCHEDULE K.** Except for health insurance payments made on behalf of the partners or partners' dependents, enter the allowable deductions recognized on the federal tax return Form 1120S, Schedule K. Neither net operating loss carryover nor oil and gas depletion deductions are allowed to be claimed at the entity level on the S-Corp return.

**LINE 7. TOTAL ALLOCATED INCOME.** Enter the total allocated income from Schedule S-Corp-B, column 1, line 8, if applicable.

**LINE 9. AVERAGE NEW MEXICO PERCENTAGE.** Enter the Average New Mexico Percentage from Schedule S-Corp-A, line 5.

**LINE 11. TOTAL NEW MEXICO ALLOCATED INCOME.** Enter New Mexico allocated income from Schedule S-Corp-B, column 2, line 9, if applicable.

**LINE 12. NEW MEXICO TAXABLE INCOME.** Enter the sum of lines 10 and 11 here. If required to file Form RPD-41367, *Annual Withholding of Net Income From a Pass-Through Entity Detail Report*, this number is also reported on line 1 on RPD-41367.

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### SCHEDULE S-CORP-A LINE INSTRUCTIONS

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#### LINES 1 - 5. NEW MEXICO APPORTIONMENT FACTORS

Schedule S-Corp-A must be used by an entity to apportion its income from the entity's regular trade or business activities when income is derived from both inside and outside New Mexico.

Complete lines 1 through 5 of S-Corp-A.

Calculate each percentage to four decimal places (example: 22.4653%).

The average percentage on line 5 must be supplied to all owners of the entity. Also enter this percentage on S-Corp-1, line 9.

All filers who have business activity outside New Mexico, including filers:

- who have no nexus in New Mexico;
  - whose activities in New Mexico are immune from corporate income tax under P.L. 86-272, and
  - who have no business activity in New Mexico during the tax year,
- must complete Schedule S-Corp-A in its entirety in order for your return to be processed.

On lines 1 through 5, columns 1 and 2, all entries must be either a positive number or a blank. Column 1 must be completed to compute the factors. Negatives are not allowed. For the sales factor only, if you have either a federal taxable income or loss, you

must have a positive number in the denominator (column 1, Gross Receipts line) of the sales factor.

**"Apportionable income" means income arising from transactions and activities in the regular course of an entity's trade or business. Apportionable income includes income from both tangible and intangible property if the acquisition, management or disposition of the property constitutes integral parts of the entity's regular trade or business. It includes investment income related to or used in the entity's overall business operations. The following sources of income are considered apportionable income and must be included:**

- Dividend income from the investment of working capital or dividend income from an investment which is functionally connected to the entity's trade or business.
- Interest income from the investment of working capital, or interest income from capital investments used in the overall business operations, or interest income from an investment which is functionally connected to the entity's trade or business.
- Royalty income and fees from patents, copyrights, franchises, trademarks and licenses developed in the regular course of the entity's trade or business, or royalty income and fees from a product or mineral interest used in the regular course of the entity's trade or business.
- Rental or subrental income from property purchased, leased or used in the regular course of the entity's trade or business.
- Gains or losses from the sale of assets used in the regular course of the entity's trade or business or assets sold which had been treated as business assets in prior years.
- Income from a partnership or non-corporate entity if held within the regular course of the corporation's trade or business.

**Line 1. Property Factor.** This factor is a percentage determined as follows:

**Divide** the average value of the real and tangible personal property owned or rented and used in New Mexico during the tax year to produce apportionable income (column 2)

**By** the average value of all real and tangible personal property owned or rented everywhere and used during the tax year to produce apportionable income (column 1). If the percentage is negative, enter zero.

Property shall be valued according to the following rules:

Inventory shall be valued according to the valuation method used for federal income tax purposes.

Value property owned during the tax year at its original cost before the allowance for depreciation amount at the time of acquisition by the taxpayer and adjusted by subsequent capital additions, improvements and partial dispositions.

Value property which was rented from others at eight (8) times the net annual rental rate. The net annual rate is the annual rent paid less any annual rent received from subrentals of the same property. If property owned by others is used by the entity at no charge or rented by the entity at a nominal rate, the net annual rental rate is determined on the basis of a reasonable market

rental rate for the property.

Determine the average value of property by adding the total value of property held by the taxpayer at the beginning of the tax period to the total value of property held at the end of the tax period. Divide by two.

A taxpayer may be required to compute an average value on a monthly basis if the Department determines that a monthly average is necessary to correctly reflect the average value of the taxpayer's property.

**Line 2. Payroll Factor.** This factor is a percentage determined as follows:

**Divide** the total amount paid as compensation to employees in New Mexico during the tax year (column 2)

**By** the total amount paid as compensation to employees everywhere during the tax year (column 1).

"Compensation" means wages, salaries, commissions, and any other form of remuneration paid to employees for personal services. Only amounts paid directly to employees are included in the payroll factor. "Employees" include leased employees where the taxpayer is considered an employer for payroll tax purposes, but "employees" are not independent contractors to whom the taxpayer issues federal Form 1099.

Only compensation that is attributable to business operations subject to apportionment is included in the payroll factor.

Compensation of any employee whose primary activities relate to the production of non-business income is excluded from the payroll factor, but may be included as a related expense of the allocated activity.

**Line 3. Sales Factor.** This factor is a percentage determined as follows:

**Divide** the total gross receipts attributable to New Mexico during the tax year, excluding returns, allowances and allocated income (column 2)

**By** the total gross receipts everywhere during the tax year, excluding returns, allowances and allocated income (column 1). If the percentage is negative, enter zero.

"Gross receipts" means all income earned from transactions and activities in the regular course of business, including income from licensing of intangible personal property.

Sales of tangible personal property are New Mexico sales if the property is:

- Delivered or shipped to a purchaser, other than the United States government, within the state regardless of the FOB point or other conditions of the sale, or

### Single Weighted Sales Factor Phase-In For Electing Manufacturers

#### For tax years beginning:

#### The apportionment formula is:

January 1, 2014 through December 31, 2014

$$\frac{2x \text{ sales factor} + \text{property factor} + \text{payroll factor}}{4}$$

January 1, 2015 through December 31, 2015

$$\frac{3x \text{ sales factor} + \text{property factor} + \text{payroll factor}}{5}$$

January 1, 2016 through December 31, 2016

$$\frac{7x \text{ sales factor} + 1.5x \text{ property factor} + 1.5x \text{ payroll factor}}{10}$$

January 1, 2017 through December 31, 2017

$$\frac{8x \text{ sales factor} + \text{property factor} + \text{payroll factor}}{10}$$

On or after January 1, 2018

$$\frac{\text{total sales in New Mexico}}{\text{total sales everywhere}}$$

- Shipped from an office, store, warehouse, factory or other place of storage in this state and
  - the purchaser is the United States government, or
  - the taxpayer is not taxable in the state of the purchaser.

Sales other than sales of tangible personal property are New Mexico sales if:

- The income-producing activity was performed in New Mexico, or
- The income-producing activity was performed both inside and outside New Mexico, but a greater proportion was performed within New Mexico than in any other single state (the proportion shall be determined by the cost of performance in each state),
- The gross receipts were from the rental, lease, licensing or any other use of either real or tangible personal property during the time the property was in New Mexico, or
- The gross receipts were from the performance of personal services in New Mexico.

#### **Lines 4 and 5. Total Factors and Average New Mexico Percentage.**

New Mexico uses an evenly weighted three-factor formula. The three-factor formula is for all taxpayers except taxpayers who are:

- Qualifying manufacturers who elect to use the special manufacturers apportionment formula,
- A taxpayer whose principal business activity in New Mexico is a headquarters operation and who elects to use the single weighted sales factor apportionment formula, or
- Allowed or required to eliminate one or more factors because the three-factor formula does not fairly represent the extent of their business activity in New Mexico.

Taxpayers using the three-factor formula, complete lines 4 and 5 as described on Schedule S-Corp-A. Taxpayers electing or required to use one of the exclusions described above must follow the instructions described next.

#### **Exclusion 1 Electing Manufacturers Apportion-**

S-Corp

#### **ment Formula**

Taxpayers whose principal activity is manufacturing may elect to use a special apportionment formula. For tax years beginning on or after January 1, 2014, the election allows taxpayers to apportion the business income to New Mexico using an alternative method which, over a five-year period, phases in a single weighted sales factor.

See the chart on the prior page for the apportionment formulas to use over the five-year period.

The election for the special factor method applies to the tax year in which the manufacturer notifies the Department of their election, until the manufacturer notifies the Department, in writing, that the election is terminated. The manufacturer, however, shall not terminate the election until the method of apportioning business income has been used by the taxpayer for at least three consecutive tax years, covering at least 36 calendar months. The election will apply to the separately filed return of the taxpayer or the combined or consolidated return the taxpayer has elected to be included in.

The statutory authority for this elective method is in Section 7-4-10 NMSA 1978.

#### **Definition of Manufacturing**

For purposes of using the manufacturers apportionment formula, "manufacturing" is defined as combining or processing components or materials to increase their value for sale in the ordinary course of business. Manufacturing does not include construction, farming, processing natural resources, or most power generation.

#### **How to Make the Election**

To elect to use the manufacturers apportionment formula, you must notify the Department in writing no later than the filing date of the first return to which your election applies.

Submit your notification to make your election or to terminate your election to Taxation and Revenue Department, CIT Unit, P.O. Box 630, Santa Fe, NM 87504-0630. For assistance, call (505) 827-0825 or toll free: (866) 809-2335, option 4. Or, e-mail:

[CIT.TaxReturnHelp@state.nm.us](mailto:CIT.TaxReturnHelp@state.nm.us)

On S-Corp-A, line 5, use the formula in the chart that corresponds to the tax year of your return to calculate the apportionment percentage. Also complete lines A and B at the bottom of Schedule S-Corp-A.

#### **Adjustment to New Mexico Sales for Manufacturers Electing to Use the Manufacturers Apportionment Formula**

If you elect to apportion business income based on the special manufacturers apportionment formula, adjust your sales factor as described below, regardless of whether you are subject to tax in the state of the purchaser.

Include in the numerator of the sales factor, the sales of tangible personal property shipped from **any** of the following locations in New Mexico:

- An office
- A store
- A warehouse
- A factory
- Any other place of storage

#### **Exclusion 2 Electing Headquarters Operation Apportionment Formula**

Taxpayers whose principal business activity in New Mexico is a headquarters operation may elect to use a single weighted sales factor apportionment formula. For tax years beginning on or after January 1, 2015, the election allows the taxpayer to apportion the business income to New Mexico using a single weighted sales factor.

If elected the taxpayer apportions taxable income by multiplying it by a fraction, the numerator of which is the total sales of the business in New Mexico during the tax year and denominator of which is the total sales of the taxpayer from any location within or outside of the state during the tax year.

The election for the special factor method applies to the tax year in which the business notifies the Department of their election, until the business notifies the Department, in writing, that the election is terminated. The manufacturer, however, shall not ter-

minate the election until the method of apportioning business income has been used by the taxpayer for at least three consecutive tax years, covering at least 36 calendar months.

For the definition of a headquarters operation, see Section 7-4-10(E) NMSA 1978.

### How to Make the Election

To elect to use the headquarters operation apportionment formula, you must notify the Department in writing no later than the filing date of the first return to which your election applies.

Submit your notification to make your election or to terminate your election to Taxation and Revenue Department, CIT Unit, P.O. Box 630, Santa Fe, NM 87504-0630. For assistance, call (505) 827-0825 or toll free: (866) 809-2335, option 4. Or, e-mail: CIT.TaxReturnHelp@state.nm.us

Use the instructions below to calculate the apportionment percentage on S-Corp-A, line 5.

Do not complete the property factor or payroll factor on lines 1 and 2. Compute the sales factor on line 3. You must complete columns 1 and 2, for the sales factor. On line 4, enter 1, and transfer the amount in line 3 to line 5. Also complete lines A and B at the bottom of Schedule S-Corp-A.

### Adjustment to New Mexico Sales for Taxpayers Electing to Use the Headquarters Operation Apportionment Formula

If you elect to apportion business income based on the headquarters operation apportionment formula, adjust your sales factor as described below, regardless of whether you are subject to tax in the state of the purchaser.

Include in the numerator of the sales factor, the sales of tangible personal property shipped from **any** of the following locations in New Mexico:

- An office
- A store
- A warehouse
- A factory
- Any other place of storage

### Exclusion 3

**Eliminating one or more factors.** If the allocation and apportionment provisions of the Uniform Division of Income for Tax Purposes Act do not fairly represent the extent of your business activity in New Mexico, you may without prior approval, or the Department may require if reasonable, the exclusion of any one or more insignificant factors—property, payroll, or sales.

A factor is insignificant if column 1 (the denominator) is between 0% and 3% of net income. On line 5, use the number of significant factors to calculate the average. If you include an insignificant factor, attach an explanation.

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## SCHEDULE S-CORP-B LINE INSTRUCTIONS

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### LINES 1 - 9. ALLOCATED NON-BUSINESS INCOME TAXABLE TO OWNERS

Schedule S-Corp-B must be used by entities to allocate income not connected to the entity's regular trade or business.

Direct and indirect expenses related to allocated income must be deducted from the related income. Expenses related to allocated income are determined by the entity's books and records. If the entity's books and records do not reflect proper amounts for expenses, the entity may rely on other reasonable methods.

If you have an entry in column 2, you must also have an entry in column 1. The allocation cannot be correctly computed if both columns are not completed correctly.

Enter the following information on the appropriate lines of S-Corp-B to allocate income:

**Line 1. Net Non-business Dividends.** Column 2: Total amount in column 1 is allocated to New Mexico if the taxpayer's commercial domicile is in New Mexico.

"Commercial domicile" means the principal place from which the tax-

payer's trade or business is directed or managed.

**Line 2. Net Non-business Interest.** Column 2: Total amount in column 1 is allocated to New Mexico if the taxpayer's commercial domicile is in New Mexico.

**Lines 3 and 4. Net Non-business Rents and Royalties.** Column 2: The following net rent and royalty income should be allocated to New Mexico if it is non-business income:

1. Income from real property located in New Mexico;
2. Income from all tangible personal property if the taxpayer's commercial domicile is in New Mexico and the entity is not organized under the laws of or taxable in the state where the property is used;
3. Income from tangible personal property that is used in New Mexico;
4. Income from intangibles (patents, copyrights, franchises, trademarks and licenses) used in New Mexico, and
5. Income from intangibles if the taxpayer's commercial domicile is in New Mexico but the income from the intangible is not taxable in the state where the intangible is used.

A patent is used in New Mexico if it is used in production, fabrication, manufacturing or other processing in New Mexico.

A copyright is used in New Mexico if printing or other production occurs in New Mexico.

**Line 5. Net Non-business Profit (Loss) Sale of Assets.** Column 2: The net gain or loss from the sale or exchange of the following should be allocated to New Mexico if it is non-business income:

1. Real property located in New Mexico;
2. Tangible personal property located in New Mexico at the time it was sold;
3. Tangible personal property not located in New Mexico at the time it was sold if:
  - a. the entity's commercial domicile is within New Mexico, and



- b. the gain was not taxable in the state where the tangible personal property was located; and
4. Intangible personal property if the entity's commercial domicile is in New Mexico.

**Line 6. Net Non-business Partnership Income (Loss).** Column 2: Non-business partnership income should be allocated to New Mexico to the extent the partnership conducts business in this state.

**Line 7. Other Net Non-business Income (Loss).** Attach a schedule to identify all other allocated income.

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### SCHEDULE S-CORP-C LINE INSTRUCTIONS

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#### LINES 1 - 5. ALLOCATED AND AP- PORTIONED INCOME TAXED TO S CORPORATIONS

S corporations with federal taxable income must complete Schedule S-Corp-C. S corporations without federal taxable income should not complete this schedule.

**Line 1.** Enter net capital gains from federal Form 1120S, Schedule D, in column 1. Enter net capital gains allocated to New Mexico in column 2.

Gains and losses from sales and exchanges of real property in New Mexico are allocated to New Mexico.

Gains and losses from sales and exchanges of tangible personal property are allocated to New Mexico if:

1. The property was in New Mexico at the time of sale, or
2. The taxpayer's commercial domicile is in New Mexico and the taxpayer is not taxable in the state in which the property was located.

Gains and losses from the sale of intangible property shall be allocated to New Mexico if the taxpayer's commercial domicile is in New Mexico.

**Line 2.** Enter excess net passive income from the worksheet for line 22a in the instructions for federal Form 1120S in column 1. Enter excess

net passive income allocated to New Mexico in column 2.

**Line 3.** Enter net recognized built-in gain from federal Form 1120S, Schedule D, in column 1. Enter net recognized built-in gain allocated to New Mexico in column 2.

**Line 5.** Divide the amount on line 4, column 2, by the amount on line 4, column 1 and multiply by 100. Carry the percentage to four decimal places and round to four decimal places (example, 22.4653%). Enter the percentage on line 5 of Schedule S-Corp-C and on line 3 of the S-Corp return.

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### CONSISTENCY IN REPORTING

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An entity is required to be consistent in:

- Classifying income as allocatable or apportionable;
- The valuation of property and its inclusion in the property factor;
- The treatment of compensation for the payroll factor; and
- The exclusion or inclusion of receipts in the sales factor for returns filed in all states.

Any change or inconsistency from prior year returns must be disclosed in a statement attached to the return. Identify the amounts and reasons for the changes or inconsistencies.

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### PETITION PROCEDURE OPEN TO TAXPAYER

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If the above procedures for allocation and apportionment do not fairly represent the extent of the taxpayer's business activity in New Mexico, the taxpayer may petition, or the Secretary of Taxation and Revenue may require, that another method be used to apportion or allocate all or any part of the taxpayer's business income.

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### AFTER YOU FILE YOUR RETURN

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If your return shows an overpayment and you have requested that all or a portion of the overpayment be refunded to you, please allow at least 12 weeks for processing before contacting the Department. Processing time will vary according to when you file your return. Occasional computation errors in a tax

return will delay processing or result in adjustments to your refund or the amount you owe. If you disagree with any adjustment made by the Department, you should follow the procedures in Publication FYI-406, *Your Rights Under the Tax Laws*.

At any time after filing your return, it may be subject to further review, verification or correction. The State of New Mexico, pursuant to reciprocal information exchange agreements, exchanges information with the Internal Revenue Service, certain other state agencies and taxing authorities in other states. If your tax return is adjusted or an assessment of additional tax is issued, you will be provided a description of your rights as a taxpayer. Our Publication FYI-406, *Your Rights Under the Tax Laws*, describes in detail how to dispute an adjustment or assessment made by the Department through either the claim for refund procedure or the protest procedure. Publication FYI-406 is available by contacting your local district tax office or by downloading from the Department website at [www.tax.newmexico.gov](http://www.tax.newmexico.gov). Click on "Forms and Publications".

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### SCHEDULE S-CORP-CR LINE INSTRUCTIONS

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Use Schedule S-Corp-CR to claim any of the business-related tax credits listed in these instructions that may be taken against New Mexico corporate income tax reported on the S-Corp return. You may also claim on this schedule any portion of approved tax credits that may be refunded to you. Transfer the totals to the S-Corp return as instructed on the schedules. Be sure to attach the appropriate backup documentation to support the credit taken and attach Schedule S-Corp-CR to your S-Corp, *2015 New Mexico Sub-Chapter S Corporate Income and Franchise Tax Return*.

If you are claiming more than 5 credits to be applied to your tax liability or to be refunded, complete and attach the Supplemental Schedule S-Corp-CR. Attach the supplemental to the Schedule S-Corp-CR, reporting the additional credits. You must report the first 5 credits on Schedule S-Corp-CR.

Only credits claimed in excess of 5 will be reported on the supplemental Schedule S-Corp-CR.

To calculate the amount that may be claimed, refer to the claim form or supporting instructions for the credit. The sum of tax credits applied to the tax due on the return may not exceed the income tax claimed on line 4 of the S-Corp return.

For a complete description of the credits, see Publication FYI-106, *Claiming Tax Credits for CRS Taxes and Business Related Income*.

### Lines 1 through 5

For each credit claimed, enter:

- the credit type code,
- the credit approval number, if applicable,
- the amount to be applied to the tax liability on the return, and
- any amount of the credit that may be refunded to you.

Note: Only the renewable energy tax credits, film production tax credits, and technology jobs and research and development (additional) tax credits may be refunded.

### Column A

The **credit type code** is the number in front of the credit listed on Schedule S-Corp-CR. You must complete this field.

### Column B

The **credit approval number** may not be available for all credits, and for some credits the credit approval number is not required. If your business credit does not have a credit approval number as described in the next section, *Tax Credit Types*, leave the credit approval number field blank.

If you are claiming multiple credits for the same credit type, list each credit separately.

For example: Taxpayer X has received investment vouchers 123456-1 and 123456-2 for two separate affordable housing tax credits. X's return shows a liability of \$80 before applying any tax credits. X wants to use the remaining \$50 from available carry forward

on voucher 123456-1, and \$30 from voucher 123456-2. On line 1, X enters A01 in the credit type column, enters 123456-1 in the credit approval number column, and \$50 in the amount claimed column. The fourth column is left blank because the affordable housing tax credit cannot be refunded. On line 2, X enters A01 in the credit type column, enters 123456-2 in the credit approval number column, and \$30 in the amount claimed column. A separate entry is made for each credit.

### Column C

Enter the sum of the column C on line A, Schedule CIT-CR. Enter the sum of column D on line B, Schedule CIT-CR.

If you are claiming more than 5 credits to be applied to your tax liability or to be refunded, lines A and B of the Schedule S-Corp-CR must include the sum of all credits reported on both the Schedule S-Corp-CR and the supplemental to the Schedule S-Corp-CR.

Make sure you transfer the amounts to the correct line on the S-Corp return, as follows:

- Transfer the total credits to be applied to the liability due from Schedule S-Corp-CR, line A, to line 5 of the S-Corp return.
- Transfer the tax credits to be refunded from Schedule S-Corp-CR, line B, to line 21 of the S-Corp return.

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## TAX CREDIT TYPES

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### Credit Type Code A01

**Affordable Housing Tax Credit.** Beginning January 1, 2006, the Mortgage Finance Authority (MFA) issues vouchers to persons who have invested in affordable housing projects. The vouchers, good for up to 50% of the investment, may be sold or transferred, provided the MFA is notified of the transfer and a voucher has been re-issued to the transferee. "Affordable housing" covers land acquisition, construction, building acquisition, remodeling, improvement, rehabilitation, conversion or weatherization for single-family residences approved by MFA and multi-family residential housing located in a county of fewer than 100,000 persons.

MFA may issue an investment voucher to a person who has made an investment of land, buildings, materials, cash or services for an affordable housing project approved by MFA or for a trust fund administered by MFA. After receiving the vouchers from MFA, the taxpayer may apply the credit against gross receipts, compensating, withholding, personal income or corporate income tax liabilities and carry unused credits forward for five years. The credit may not be refunded.

To claim the credit, complete and attach Form RPD-41301, *Affordable Housing Tax Credit Claim Form*, to your S-Corp along with Schedule S-Corp-CR. Attach a copy of the investment vouchers for which you are claiming a credit.

In the **Credit Approval Number** box, enter the number assigned by MFA on the investment voucher. If transferred enter the new credit number assigned by MFA.

### Credit Type Code A03

**Agricultural Water Conservation Tax Credit.** A taxpayer may claim a credit against the taxpayer's personal or corporate tax liability for expenses incurred by the taxpayer for eligible improvements in irrigation systems or water management methods. Eligible improvements means an improvement that is:

- made on or after January 1, 2008 but not after January 1, 2013;
- consistent and complies with a water conservation plan approved by the local soil and water conservation district in which the improvement is located; and
- primarily designed to substantially conserve water on land in New Mexico that is owned or leased by the taxpayer and used by the taxpayer or the taxpayer's lessee to produce agricultural products, harvest or grow trees, or sustain livestock.

**NOTE:** The agricultural water conservation tax credit provisions are repealed effective January 1, 2013; however, a taxpayer may claim a carryforward of the credit.

To claim the credit against any corporate income tax due, complete Form RPD-41319, *Agricultural Water Conservation Tax Credit Claim Form*, and attach it to your S-Corp with Schedule S-Corp-CR. This credit may not be refunded but you may carry unused credit forward for five consecutive years.

In the **Credit Approval Number** box, enter the last day of the tax year when the credit was first eligible to be claimed.

#### **Credit Type Code A04**

**Advanced Energy Tax Credit.** A qualified electricity generating facility located in New Mexico may be eligible to apply for and claim the advanced energy tax credit (advanced energy income tax credit, advanced energy corporate income tax credit and the advanced energy combined reporting tax credit). The amount of the credit is 6% of the eligible generation plant costs. The aggregate amount of tax credit that may be claimed with respect to a qualified generating facility is limited to \$60,000,000.

Once the certificate of eligibility is issued by the New Mexico Environment Department (NMENV), obtain approval from TRD by submitting a completed Form RPD-41333, *Advanced Energy Tax Credit Application*, a certificate of eligibility, and other information TRD requires to determine the amount of tax credit allowed. The application must be submitted within one year following the end of the calendar year in which the eligible generation plant costs are incurred. The right to claim the credit may be allocated to other taxpayers who are interest owners in the qualified electric generating facility. The *Notice of Allocation of Right to Claim Advanced Energy Tax Credits* is required to be attached to RPD-41333 to allocate the credit to interest owners.

Once approved, you may claim this credit by completing Form RPD-41334, *Advanced Energy Tax Credit Claim Form*, and attaching it to your S-Corp with Schedule S-Corp-CR. This credit may not be refunded but you may carry unused credit forward for up to ten years.

In the **Credit Approval Number** box, S-Corp

enter the number issued by the Taxation and Revenue Department. The credit approval number is identified on your credit approval letter. If your approval letter does not show a credit approval number, leave this box blank.

#### **Credit Type Code A05**

**Agricultural Biomass Income Tax Credit.** A credit is available for a taxpayer who owns a dairy or feedlot and who files a personal or corporate income tax return for a taxable year beginning on or after January 1, 2011 and ending prior to January 1, 2020. TRD may allow a credit equal to \$5 per wet ton of agricultural biomass transported from the taxpayer's dairy or feedlot to a facility that uses agricultural biomass to generate electricity or make biocrude or other liquid or gaseous fuel for commercial use.

To qualify for this credit, you must first obtain a certificate of eligibility from the Energy, Minerals and Natural Resources Department (EMNRD). Once the certificate of eligibility is issued by EMNRD, obtain approval from TRD by submitting a completed Form RPD-41362, *Agricultural Biomass Income Tax Credit Approval*, and the certificate of eligibility to TRD. TRD will approve the credit and return the approved form to the owner or holder.

Once approved, you may claim this credit by completing Form RPD-41361, *Agricultural Biomass Income Tax Credit Claim Form*, and attaching it to your S-Corp with Schedule S-Corp-CR. Excess credit may not be refunded but may be carried forward for a maximum of four consecutive tax years following the year TRD approved the credit.

In the **Credit Approval Number** box, enter the credit number assigned by TRD on Form RPD-41362, *Agricultural Biomass Tax Credit Approval*. If the tax credit was transferred to you, enter the new credit number from Form RPD-41363, *Notice of Transfer of Agricultural Biomass Tax Credit*.

#### **Credit Type Code B01**

**Business Facility Rehabilitation Credit.** The business facility rehabilitation credit is enacted for some pre-approved costs of restoration,

rehabilitation, or renovation of a qualified business facility located in a New Mexico enterprise zone. The facility must be suitable for use and put into service in the manufacturing, distribution, or service industry immediately after the restoration, rehabilitation, or renovation project. This credit is for 50% of the pre-approved costs, not to exceed \$50,000.

To claim the credit, you must receive certification from the Enterprise Zone Program Officer of the New Mexico Economic Development Department (EDD). You are required to complete CIT-5, *Qualified Business Facility Rehabilitation Credit*, and submit it with the certificate of completion issued by the EDD. An amount exceeding the tax liability can not be refunded, but may be carried forward for four consecutive years.

**NOTE:** This credit is not currently available. It was enacted in 1994 to administer the Federal Enterprise Zone Program supporting the renovation and rehabilitation of damaged or destroyed structures in community areas designated as enterprise zones. However, the Federal Enterprise Zone Program has been discontinued and, after 2006, the New Mexico EDD has listed the New Mexico Enterprise Zone Program as an inactive program.

For more information on building revitalization programs in New Mexico, contact the New Mexico EDD at (505) 827-0300.

#### **Credit Type Code B02**

**Blended Biodiesel Fuel Tax Credit.** Beginning January 1, 2007 but not after December 31, 2012, a rack operator or supplier who is required to pay the special fuel excise tax and who files a New Mexico personal or corporate income tax return may claim a credit against the tax due on the return for each gallon of blended biodiesel fuel on which that person paid, or would have paid, the special fuel excise tax in the tax year, but for certain deductions allowed for special fuel sold or the treaty exemption for North Atlantic Treaty Organization use.

**NOTE:** The blended biodiesel tax credit is not available for tax years beginning on or after January 1, 2013; however, a taxpayer may claim a carryforward of the credit for five years from the date of the certificate of eligibility. The credit may not be refunded.

To qualify for the credit, a taxpayer must be a registered New Mexico supplier who files Form RPD-41306, *Combined Fuel Tax Report*, reporting qualifying biodiesel fuel receipts.

Once approval is granted for eligibility, to claim the credit, complete Form RPD-41340, *Blended Biodiesel Fuel Tax Credit Claim Form*, and attach it to your S-Corp with Schedule S-Corp-CR.

Leave the **Credit Approval Number** box blank. An approval number is not required to claim this credit.

#### **Credit Type Code C02**

**Corporate-Supported Child Care Tax Credit:** Corporations providing or paying for licensed childcare services for employees' children under 12 years of age may deduct 30% of eligible expenses from their corporate income tax liability for the tax year in which the expenses occur, not to exceed \$30,000. An amount exceeding the tax liability can not be refunded, but may be carried forward for three consecutive years.

To claim the credit, complete Form CIT-3, *Corporate Child Care Credit*, and submit it with your S-Corp and Schedule S-Corp-CR. In the **Credit Approval Number** box, enter the last day of the tax year when the credit was first eligible to claim.

#### **Credit Type Code E01**

**Electronic Card-Reading Equipment Tax Credit.** New Mexico has a one-time income tax credit for businesses that purchase electronic identification card readers for age verification. A business may claim this credit on a New Mexico personal income tax return or corporate income and franchise tax return if:

- The business is licensed to sell cigarettes, tobacco products or alcoholic beverages, *and*
- The business has purchased, and is using, equipment that electronically

reads identification cards to verify age.

The credit amount is \$300 for each business **location** using electronic identification card-readers. The owner, member or partner of a pass-through entity may claim a credit in proportion to the owner's interest in the partnership or other business association. The total credit claimed by all members of the partnership or association may not exceed \$300 for each business location.

Claim this non-refundable credit in the tax year the equipment was purchased and put into use. You cannot carry excess amounts forward or back into another tax year.

To claim the credit, complete and have notarized Form RPD-41246, *Income Tax Credit for Electronic Identification Card Reader, Purchase and Use Statement*. Enter the amount of credit on Schedule S-Corp-CR. Submit the statement and the S-Corp-CR with your S-Corp. When the credit (\$300) is split among spouses, owners, partners, or other business associations, each claimant must show the division of the total credit (\$300 per business location) on page 2 of Form RPD-41246. An amount exceeding the tax liability can not be refunded and may not be carried forward.

Leave the **Credit Approval Number** box blank. A credit approval number is not required to claim this credit.

#### **Credit Type Code F01**

**Film Production Tax Credit.** The film production tax credit provides a credit for an eligible film production company. The amount of the credit is equal to 25% of direct production and direct postproduction expenditures. An additional 5% may be added for television shows subject to certain requirements. Direct production expenditures must be directly attributable to the production in New Mexico of a film or commercial audiovisual and both direct and postproduction expenditures must be subject to taxation by the State of New Mexico. Excluded from the credit are costs for which the film production company has already issued a non-taxable transaction certificate under

Section 7-9-86 NMSA 1978.

To obtain approval for the credit, first apply to the New Mexico Film Office of the Economic Development Department (EDD). When it receives approval from EDD, the film production company may apply for Taxation and Revenue Department approval of the credit. See the *Application for Film Production Tax Credit*, Form RPD-41229.

Once approved, you may claim the credit by filing your personal or corporate income tax return. To claim the credit against tax due on your S-Corp return. Complete Schedule S-Corp-CR and attach it to your S-Corp return. Also attach Form RPD-41228, *Film Production Tax Credit Claim Form*.

Note: If you are an owner or affiliate of the film production company that was approved for the credit, do not enter more than that portion of approved credit that was distributed to you at the time the film production company received TRD approval for the credit. If you are not sure what your distributed amount is, contact the film production company.

**NOTE:** The amount of film production tax credit you may claim against your tax due on this return and the amount that you may receive as a refund are subject to certain limitations governing the payment of film production tax credit claims. See the instructions for the film production tax credit claim form for details regarding these limitations and how your claim may be impacted.

In the **Credit Approval Number** box, enter the credit approval number issued by the Taxation and Revenue Department. The credit approval number is identified on your credit approval letter. If your approval letter does not show a credit approval number, leave this box blank.

#### **Credit Type Code G01**

**Geothermal Ground-Coupled Heat Pump Tax Credit.** A credit is available for a taxpayer who has purchased and installed a geothermal ground-coupled heat pump after January 1, 2010, but before December 31, 2020. To qualify



for the tax credit, the taxpayer must install the pump in a residence, business or agricultural enterprise in New Mexico owned by that taxpayer or by a partnership or other business association of which the taxpayer is a member. The credit, which may not exceed \$9,000, is available for up to 30% of the purchase and installation costs. This credit may not be refunded, but unused credit may be carried forward for a maximum of ten consecutive years following the tax year for which the credit was approved.

To qualify for this credit, you must first obtain a certificate of eligibility from the New Mexico Energy, Minerals and Natural Resources Department. To claim this credit against any corporate income tax due, complete and attach RPD-41346, *Geothermal Ground-Coupled Heat Pump Tax Credit Claim Form*, to your S-Corp with Schedule S-Corp-CR. Attach a copy of the certificate which you are claiming credit.

In the **Credit Approval Number** box, enter the certificate number shown on the credit approval document issued to you by EMNRD.

#### **Credit Type Code G02**

**Intergovernmental Business Tax Credit.** A corporation engaged in growing, processing or manufacturing may receive a credit for up to 50% of all taxes imposed by an Indian nation, tribe or pueblo located wholly or partly in New Mexico on income from new business activity on Indian land. **Exception:** A tax eligible for credit under Section 7-29C-1 NMSA 1978, or any other intergovernmental business tax credit that provides a similar credit may not be counted for intergovernmental business tax credit. Such taxes are oil and gas severance tax, oil and gas conservation tax, oil and gas emergency school tax, oil and gas ad valorem production tax on products severed from Indian tribal land, or a tax imposed on the privilege of severing products from tribal land. The law limits the credit to income from a new business established on tribal land after July 1, 1997. A new business is a manufacturer or processor occupying a new business facility or a grower who begins operations in New Mexico after July 1, 1997.

To claim this credit against any corporate income tax due, attach a **statement establishing entitlement to the credit with proof of payment of tax to an Indian nation, tribe or pueblo** on which the credit is based to your S-Corp along with Schedule S-Corp-CR.

Leave the **Credit Approval Number** box blank. A credit approval number is not required to claim this credit.

#### **Credit Type Code J01**

**Job Mentorship Tax Credit.** A taxpayer owning a New Mexico business may claim a Job Mentorship Tax Credit for employing qualified students who take part in a career preparation education program. The credit equals 50% of gross wages paid to a maximum of ten qualified students. The business must employ the students for up to 320 hours each during the tax year. A taxpayer may not claim a credit for one qualified individual for more than three tax years. The maximum credit for one tax year is \$12,000.

Obtain a Form RPD-41280, *Job Mentorship Tax Credit Certificate*, from the secondary school operating the career preparation education program for each qualified student you employ.

To claim this credit against corporate income tax, complete Form RPD-41281, *Job Mentorship Tax Credit Claim Form*, and attach it to your S-Corp with Schedule S-Corp-CR. Also, attach a Form RPD-41280, *Job Mentorship Tax Credit Certificate*, for each qualified student employed during the tax year. This credit may not be refunded but you may carry unused credit forward for three consecutive years.

A partnership or other business association of which the taxpayer is a member may claim a credit in proportion to the taxpayer's interest in the partnership or association.

Leave the **Credit Approval Number** box blank. A credit approval number is not required to claim this credit.

#### **Credit Type Code L01**

**Land Conservation Incentives Credit.** Corporations who donate land, or interest in land, to private or public

conservation agencies for conservation purposes may claim a credit from personal or corporate income tax, equal to 50% of the fair market value of the land transferred up to \$100,000 for donations made prior to January 1, 2008, and \$250,000 for donations made on or after January 1, 2008. Additionally for a donation made on or after January 1, 2008, the credit may be sold, exchanged or transferred in increments of \$10,000 or more.

To apply for this credit contact the New Mexico Energy, Minerals and Natural Resources Department (EMNRD) who certifies the eligibility of the donation. Once the certificate of eligibility is received from EMNRD, complete Form RPD-41335, *Land Conservation Incentives Tax Credit Application*, and submit to TRD with a copy of the certificate of eligibility.

Once approval is received from TRD, claim this credit by completing Form RPD-41282, *Land Conservation Incentives Credit Claim Form*, and attach it to your S-Corp with Schedule S-Corp-CR. Also, attach the letter received from EMNRD certifying treatment as a qualified donation. Unused credit may not be refunded but may be carried forward for up to 20 consecutive years following the year in which the qualified donation occurred.

In the **Credit Approval Number** box, enter the credit number assigned by TRD on Form RPD-41335, *Land Conservation Incentives Credit Application*. If the credit was transferred, enter the new credit number from Form RPD-41336, *Notice of Transfer of Land Conservation Incentives Tax Credit*.

#### **Credit Type Code P01**

**Preservation of Cultural Property Credit.** The credit for preservation of cultural property is 50% of the costs of a project for the restoration, rehabilitation or preservation of cultural property listed on the official New Mexico Register of Cultural Properties, not to exceed \$25,000. Beginning in 2009, if the property is also located in an arts and cultural district certified by the state or a municipality pursuant to the Arts and Cultural District Act, a maximum of \$50,000 credit will be allowed.

The Cultural Properties Review Committee must approve the project plan before the restoration begins and certify that the completed project conforms to the plan.

To claim this credit against any corporate income tax due, complete Form CIT-4, *New Mexico Preservation of Cultural Property Credit*, and attach it to your S-Corp along with a copy of the Part 2 approval from the New Mexico Cultural Properties Review Committee and the approval from the New Mexico Arts and Cultural Districts Coordinator, if applicable. An amount exceeding the tax liability can not be refunded, but may be carried forward for four consecutive years.

In the **Credit Approval Number** box, enter the log number shown on the project approval document issued to you by the Historic Preservation Division.

#### **Credit Type Code R01**

**Rural Job Tax Credit.** A Rural Job Tax Credit is available for employers in rural areas of New Mexico who qualify for Job Training Incentive Program (JTIP) assistance. Eligible employers may earn the rural job tax credit for each qualifying job created after July 1, 2000. The employer must certify the wages paid to each eligible employee. See Form RPD-41247, *Certificate of Eligibility for the Rural Job Tax Credit*, on the TRD website, [www.tax.newmexico.gov](http://www.tax.newmexico.gov). Pre-approval is required.

Calculate the Rural Job Tax Credit at 6.25% of the first \$16,000 in wages paid for each qualifying job for no more than four qualifying periods in a Tier 1 area, and no more than two qualifying periods in a Tier 2 area. A rural area excludes Albuquerque, Corrales, Farmington, Las Cruces, Los Alamos County, Los Ranchos, Rio Rancho, Santa Fe, and Tijeras, and a ten-mile zone around these municipalities. Tier 2 areas are limited to Alamogordo, Carlsbad, Clovis, Gallup, Hobbs, and Roswell. Tier 1 is any rural area not part of a Tier 2 area. A qualifying period is 12 months.

The holder of the Rural Job Tax Credit document may apply all or part of the

credit against the holder's combined state gross receipts, compensating and withholding taxes, or personal or corporate income tax.

To learn more about JTIP assistance, visit the New Mexico Economic Development Department website at [www.gonm.biz/](http://www.gonm.biz/) or call (505) 827-0300 or (800) 374-3061.

To apply for this credit, complete Form RPD-41238, *Application for Rural Job Tax Credit*, attach a notarized completed Form RPD-41247, *Certificate of Eligibility for the Rural Job Tax Credit*, for each qualified job you claim in the eligible period, and send it to the address on the form.

Once approval is received from TRD, complete Form RPD-41243, *Rural Job Tax Credit Claim Form*, and submit it with your S-Corp along with Schedule S-Corp-CR. An amount exceeding the tax liability can not be refunded, but may be carried forward for three years from the date the credit is issued.

In the **Credit Approval Number** box, enter the credit approval number issued to you by the Taxation and Revenue Department. The credit approval number is identified on your credit approval letter. If your approval letter does not show a credit approval number, leave this box blank.

#### **Credit Type Code R03**

**Renewable Energy Production Tax Credit.** Personal income and corporate income taxpayers receive credit for producing electricity by solar light or heat, wind, or biomass for 10 consecutive years beginning on the date the qualified energy generator begins producing electricity. A qualifying energy generator means a facility with at least one megawatt generating capacity located in New Mexico that produces electricity using a qualified energy resource and that sells that electricity to an unrelated person.

To qualify, the taxpayer must either hold title to a qualified energy generator that first produced electricity on or before January 1, 2018, or lease property upon which a qualified energy generator operates from a county or municipality,

under the authority of an industrial revenue bond. EMNRD must first approve the qualified energy generator and the business claiming the credit.

When approval is received from EMNRD, claim the credit by attaching to your S-Corp, Schedule S-Corp-CR, a completed Form RPD-41227, *Renewable Energy Production Tax Credit Claim Form*, the certificate of eligibility issued by EMNRD, the Allocation Notice approved by EMNRD if applicable, and documentation of the amount of electricity produced by the facility in the tax year. The credit may be deducted from the taxpayer's corporate or personal income tax liability for which the credit is claimed. If the amount of the tax credit exceeds the taxpayer's corporate or personal income tax liability for the tax year:

1. The excess may be carried forward for 5 years, or
2. If the tax credit was issued with respect to a qualified energy generator that first produced electricity using a qualified energy resource on or after October 1, 2007, the excess shall be refunded to the taxpayer.

In the **Credit Approval Number** box, enter the last day of the tax year when the electricity was produced for which you are claiming a credit or a carry-forward.

#### **Credit Type Code S02**

**Sustainable Building Tax Credit.** A credit is available for the construction in New Mexico of a sustainable building or for the renovation of an existing building in New Mexico into a sustainable building or the permanent installation of manufactured housing, regardless of where the housing is manufactured, that is a sustainable building

A credit may not be claimed for tax years beginning on or after January 1, 2017. The building may be for residential or commercial use, but is not available for a building owned by an entity that does not file a New Mexico corporate or personal income tax return. The credit is available for residential and commercial buildings, after the construction, installation or renovation of

the sustainable building is complete. To qualify for the tax credit, the building must have achieved a silver or higher certification level in the LEED green building rating system or the build green New Mexico rating system.

To apply for this credit, you must first obtain a certificate of eligibility by contacting the New Mexico Energy, Minerals and Natural Resources Department. Once the certificate of eligibility is issued, you must promptly complete and submit Form RPD-41327, *Sustainable Building Tax Credit Approval*, along with a copy of the certificate of eligibility, to the Taxation and Revenue Department before claiming the credit on your New Mexico income tax return.

To claim this credit against any corporate income tax due, complete and attach Form RPD-41329, *Sustainable Building Tax Credit Claim Form*, to your S-Corp with Schedule S-Corp-CR. Attach a copy of the letter of eligibility for which you are claiming a credit.

The credit is not refundable but may be carried forward for seven years from the tax year in which the Department approved the credit.

In the **Credit Approval Number** box, enter the credit number assigned by TRD on Form RPD-41327, *Sustainable Building Tax Credit Approval*. If the credit was transferred to you, enter the new credit number assigned by TRD on Form RPD-41342, *Notice of Sustainable Building Tax Credit*.

#### **CREDIT TYPE CODE T01**

##### **Technology jobs (additional) tax credit**

The technology jobs tax credit is 4% of qualified expenditures for conducting research and development. If you increase your annual payroll by at least \$75,000 for every \$1 million in qualified expenditures you claim in a tax year, an additional 4% credit is available. The basic and additional credits double for businesses in rural areas. Qualified expenditures must be made prior to January 1, 2015, to qualify.

**NOTE:** You may apply only additional technology jobs tax credits to your S-Corp

income tax liability.

You must make the eligible expenditures for research and development at a qualified facility. For a description of qualified expenditures, see the instructions for Form RPD-41239, *Application for Technology Jobs Tax Credit*.

The holder of the technology jobs tax credit document may apply all or part of the credit against the holder's combined state gross receipts and compensating and withholding taxes. If you earned additional credits, you may claim that amount against personal or corporate income taxes.

#### **Carry Forward Information**

An amount exceeding the tax liability is not refundable, but you may carry it forward.

#### **How To Apply For This Credit**

The technology jobs tax credit provisions are not available for qualified expenditures made after January 1, 2015. However, if you have been approved for the technology jobs tax credit; you may carry forward any unused credit amounts in subsequent periods.

A taxpayer with expenditures made after January 1, 2015, should review Form RPD-41385, *Application for Technology Jobs and Research and Development Tax Credit*, to see if that credit is available to them.

#### **How To Claim This Credit**

After you receive approval from the Department, you may claim the credit by following these steps:

1. Complete Form RPD-41244, *Technology Jobs and Research and Development Tax Credit Claim Form*.
2. Complete Schedule CIT-CR.
  - In the **Credit Approval Number** box, enter the credit approval number the Department issued to you. The number is identified on your credit approval letter. If the letter does not show a credit approval number, leave this box blank.
  - In the **Amount Claimed Applied To Tax Due** box, indicate the amount of the credit you want to apply to your liability.

3. Attach the following to your CIT-1:

- RPD-41244
- CIT-CR

4. Submit RPD-41244 and CIT-CR along with your CIT-1.

#### **CREDIT TYPE CODE T02**

##### **Technology Jobs and Research and Development Tax Credit.**

This credit is 5% of qualified expenditures for conducting research and development. An additional 5% credit is available if the taxpayer increases its annual payroll by at least \$75,000 for every \$1 million in qualified expenditures it claims in a tax year. The basic and additional credits double for businesses in rural areas. To be eligible, qualified expenditures must be made on or after January 1, 2015.

The taxpayer must make the eligible expenditures for research and development at a qualified facility. For more information on qualified expenditures, see the instructions for Form RPD-41385, *Application for Technology Jobs and Research and Development Tax Credit*.

The holder of the Technology Jobs and Research and Development Tax Credit document may apply all or part of "basic" credits against the holder's combined state compensating, withholding, and gross receipts tax, less any local option gross receipts tax. "Basic" credit may be not be refunded but may be carried forward for three years from the date of the original claim.

If you have earned "additional" credits, you may claim that amount against personal or corporate income taxes. If the taxpayer is a qualified research and development small business, a portion of the "additional" credit can be refunded, based on the taxpayer's total qualified expenditures made in a tax year. Any credit not claimed against the taxpayer's income tax or corporate income tax due, or refunded, may be carried forward for three years from date of the original claim.

**NOTE:** Taxpayers who claim the research and development small busi-

ness tax credit are ineligible to claim the investment tax credit or the technology jobs and research and development tax credit for the same reporting period.

### How To Apply For This Credit

To apply for the basic and additional credit, do the following:

1. Complete Form RPD-41385.
2. Send it along with your expenditure and payroll increase documentation to the address on RPD-41385.

### How To Claim This Credit

After you receive approval from the Department, you may claim the credit by following these steps:

1. Complete Form RPD-41386, *Technology Jobs and Research and Development Tax Credit Claim Form*.
2. Complete Schedule CIT-CR.
  - In the **Credit Approval Number** box, enter the credit approval number the Department issued to you. The number is identified on your credit approval letter. If the letter does not show a credit approval number, leave this box blank.
  - In the **Amount Claimed Applied To Tax Due** box, indicate the amount of the credit you want to apply to your liability.
  - In column D, indicate the amount of the credit to be refunded, if eligible.
3. Attach the following to your CIT-1:
  - RPD-41386
  - CIT-CR
4. Submit RPD-41386 and CIT-CR along with your CIT-1.

### Credit Type Code V01

#### Veterans Employment Tax Credit.

For tax years beginning on or after January 1, 2012 but not after December 31, 2016, a taxpayer who employs a qualified military veteran in New Mexico is eligible for a credit against the taxpayer's personal or corporate income tax liability for up to \$1,000 for wages paid to the qualified military veteran. The veteran must have been hired within two years of receipt of an honorable discharge from a branch of the U.S. military and be employed at least 40 hours per week. If the veteran

is employed for less than a full year, the credit for that year is reduced based on the ratio of the qualified period of employment over the full tax year of the employer. The taxpayer may not receive the credit for any individual qualified military veteran for more than one year from the date of hire. Multiple employers may not receive a credit for the same qualified military veteran, in the same tax year. The veteran employment tax credit is only allowed for the employment of a veteran who was not previously employed by the taxpayer prior to the individual's deployment.

To apply for the credit, complete Form RPD-41371, *Application for Veteran Employment Tax Credit*, and submit it to the Taxation and Revenue Department. For each eligible military veteran employed in the tax year, attach a completed Form RPD-41370, *Certification of Eligibility for the Veteran Employment Tax Credit*. If more than one eligible military veteran was employed during the tax year, a certification of eligibility for each military veteran for whom you wish to claim a credit must be attached and included. On the application, summarize the certifications attached and answer the questions establishing that you retain the status of an eligible employer. TRD will notify you when approved.

Once approved, you may claim the credit against corporate income tax due by submitting Form RPD-41372, *Veterans Employment Tax Credit Claim Form*, and Schedule S-Corp-CR along with your S-Corp. Excess credit may not be refunded, but may be carried forward for up to three years.

In the **Credit Approval Number** box, enter the credit claim number shown on your approved Form RPD-41371, *Veteran Employment Tax Credit Application*.

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### S-CORP-ES, SUB-CHAPTER S CORPORATE INCOME AND FRANCHISE ESTIMATED TAX PAYMENT VOUCHER

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**WHO MUST FILE** - Every entity subject to the corporate income tax may be required to pay estimated corporate income tax if its tax after applicable credits is \$5,000 or more

**in the current tax year. If the tax liability for the tax year is less than \$5,000, estimated quarterly payments are not required.**

Estimated penalty and interest are assessed on the difference between the estimated payments and the amount of estimated tax due, computed using the lower of method 1, 2, 3 or 4. The Department automatically computes estimated payments using the lower of methods 1, 2 or 3. To use method 4, you must attach a completed Form RPD-41287, *2015 Calculation of Estimated Corporate Income Tax Penalty and Interest on Underpayment*, to the S-Corp return.

### How to determine the amount of your quarterly estimated tax payment:

To avoid penalty and interest for underpayment of estimated tax, calculate the estimated tax by one of the following methods:

- **Method 1**--80% of the current year's estimated tax liability;
- **Method 2**-- 100% of the previous year's tax liability if a full 12-month year;
- **Method 3**-- 110% of the liability for the year immediately preceding the previous tax year if it was a full 12-month tax year and the return for the previous tax year has not been filed, and the extended due date for filing the return for the previous tax year has not occurred at the time the first estimated payment installment of the current tax year is due, or
- **Method 4**--80% of the estimated tax liability for each quarter of the current tax year, calculated on a period-by-period basis, not accumulative.

When using methods 1, 2 or 3, estimated tax must be paid in four installments equal to 25% of the estimated tax. Method 4 requires an installment of 100% of the estimated tax payment calculated for the quarter.

Use the corporate income tax rates on page 9 to estimate your income tax liability.

### Restrictions on methods of computing the installment payment due.

- **Method 2** can only be used: (a) if a



corporate tax return was filed for the immediate prior year, and (b) such prior year was a full 12-month or a 52/53-week year.

- **Method 3** may be used only if the tax year immediately preceding the previous tax year was a full 12-month year, the return for the previous tax year has not been filed, and the extended due date for filing that return has not occurred at the time the first installment is due.
- **Method 4** -- may be used by taxpayers whose corporate income tax less credits for the current tax year is \$5,000 or greater and whose income is seasonal or varied throughout the year may use method 4 to adjust required payments due for each fiscal quarter based on actual income received. If you owe penalty and interest on underpayment of estimated corporate income tax using the lowest of methods 1, 2 or 3, and method 4 applies, you may further lower the amount of penalty and interest you owe by using method 4.

To use method 4, complete Form RPD-41287, *2015 Calculation of Estimated Corporate Income Tax Penalty and Interest on Underpayment*, and attach it to your S-Corp return. Do not submit Form RPD-41287 if you do not qualify.

**Computing penalty and interest on underpayment or non-payment of estimated tax.** Underpayment or non-payment of estimated tax is subject to penalty and interest. Penalty and interest accumulates from the due date of the estimated tax payment until the earlier of the date the payment is made, or the due date of the return. Penalty is calculated at a rate of 2% per month or partial month on the unpaid balance, and interest is computed on a daily basis, at the rate established for individual income tax purposes by the U.S. Internal Revenue Code (IRC). The IRC rate changes quarterly. See the instructions for lines 17 and 18, S-Corp return, for a complete explanation of computing penalty and interest.

**When to pay estimated tax.** The estimated tax shall be paid in installments as follows: the estimated tax for the first, second, third, and fourth

quarter of the year; due on or before the 15th day of the fourth, sixth, ninth and twelfth month of the tax year. Calendar year taxpayers' estimated installment payment due dates are April 15, June 15, September 15, and December 15.

Estimated income tax payments are timely if the United States Post Office postmark on the envelope bears a date on or before the due date. If the due date falls on a Saturday, Sunday, state or national legal holiday, the payment is timely if the postmark bears the date of the next business day. Delivery through a private delivery service is timely if the date recorded or marked by the private delivery service is on or before the due date.

#### **MAKING PAYMENT ON THE INTERNET**

Payment for estimated tax may be made using the Internet. Visit the Department's website and select "Online Services". Payment may be made at no charge by electronic check. You may also make tax payments by using any of these credit cards-Visa, MasterCard, American Express, or Discover Card - for your online payment. A convenience fee of 2.40% is applied for using a credit card. The State of New Mexico uses this fee, calculated on the transaction amount, to pay charges from the credit card companies.

#### **MAKING PAYMENT BY CHECK OR MONEY ORDER**

You must complete S-Corp-ES payment voucher and mail the voucher and payment to the Department.

Note: When you provide a check as payment, you authorize the Department to use information from your check to make a one-time electronic fund transfer from your account. When we use information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day you make your payment.

#### **COMPLETING THE S-Corp-ES PAYMENT VOUCHER**

Complete the S-Corp-ES payment voucher and submit it with your payment to:

New Mexico Taxation and

Revenue Department  
P.O. Box 25127  
Santa Fe, New Mexico 87504-5127

Write the tax year and S-Corp-ES on your check or money order. When completing the S-Corp-ES payment voucher, enter the corporation's name, address and federal employer identification number (FEIN). Enter the quarter and the amount of the estimated payment. Enter the last day of the tax year of the return which you are applying the payment. For calendar year returns, enter December 31 of the year of the return, or "12/31/2015". If filing a fiscal year return, enter the last day of the fiscal year. For example, if filing a return for July 1, 2015 through June 30, 2016, enter "06/30/2016". If the corporation making the estimated tax payment joins other corporations in filing the 2015 S-Corp return, enter the name, address and FEIN of the corporation that will be responsible for filing the S-Corp return.

If you submit one or more payments to the Department under an incorrect FEIN, you must submit a schedule of payments with your S-Corp. Provide the company name and FEIN as originally submitted on the S-Corp-ES payment voucher. Include the check number, date and amount of each payment.

The amount of tax deducted and withheld under the Withholding Tax Act or the Oil and Gas Proceeds and Pass-Through Entity Withholding Tax Act shall be deemed a payment of estimated tax. An equal amount of withheld tax shall be deemed paid on each due date for the applicable tax year unless the taxpayer establishes the dates on which all amounts were actually withheld, in which case the amounts withheld shall be deemed payments of estimated tax on the dates on which the amounts were actually withheld. The taxpayer may apply this rule separately to amounts withheld under the Withholding Tax Act or the Oil and Gas Proceeds and Pass-Through Entity Withholding Tax Act.

**NOTE: When printing a payment voucher (S-Corp-ES, S-Corp-EXT or S-Corp-PV) from the Internet, the printer setting "Page Scaling"**

should be set to 'none' to prevent resizing. Do not cut the bottom portion of the payment voucher except where indicated--cut on the dotted line only.

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### ASSEMBLE YOUR RETURN

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**Assemble your return (and Payment Voucher if your return shows tax due).**

Submit only original, official state

forms. Copies and poor quality printed forms cause a delay in processing your return. **Keep a copy of your original return and attachments** in a safe place in case you need to refer to them at a later date. If someone prepares your return for you, **be sure to get a copy for your records.**

**NOTE: Do not use staples or tape to assemble your return.**

### Privacy Notification

The New Mexico Taxation and Revenue Department requires taxpayers to furnish federal employer identification numbers as a means of taxpayer identification. All information supplied electronically by taxpayers is protected using encryption and fire walls. Taxpayer information on returns is protected in accordance with the confidentiality provisions of the Tax Administration Act, [Section 7-1-8 NMSA 1978].

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## New Mexico Taxpayer Bill of Rights

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Most tax transactions happen without incident. In an imperfect world, however, occasional disagreements occur through misunderstanding, mathematical error, missed deadlines, misplaced papers, high volume of transactions and many other situations. Over the years the Legislature and the Department have established ways to handle difficulties according to the provisions of the state tax code. Following are some of your rights. Should you wish to consult the law itself, you will find it in Sec. [7-1-4.1 through 4.3 NMSA 1978]:

- The right to available public information and prompt and courteous tax assistance;
- The right to representation and advice by counsel or other qualified representatives at any time during your interactions with the department according to provisions of Section 7-1-24 NMSA 1978, or with the Administrative Hearings Office in accordance with the provisions of the Administrative Hearings Office Act;
- The right to have audits, inspections of records and meetings conducted at a reasonable time and place according to Sec. [7-1-11 NMSA 1978];
- The right to simple, non-technical information explaining procedures, remedies and rights during audit, protest and collection proceedings under the Tax Administration Act;
- The right to receive an explanation of audit results and the basis for audits, assessments or denials of refunds that identify tax, interest

or penalty due;

- The right to seek review through formal or informal proceedings of findings or unfavorable decisions arising from determinations during audit or protest procedures according to Sec. 7-1-24 NMSA 1978 and the Administrative Hearings Office Act;
- The right to have your tax information kept confidential unless otherwise specified by law in Sec. [7-1-8 NMSA 1978];
- The right to an abatement of an assessment of taxes incorrectly, erroneously or illegally made (Sec. [7-1-28 NMSA 1978]) and a right to seek a compromise of an asserted tax liability. When the Secretary of Taxation and Revenue in good faith doubts that you owe us what we claim you owe, you also have the right to seek a compromise if one exists in your particular case (Sec. [7-1-20 NMSA 1978]);
- The right to clear information of the consequences if a tax assessment is not paid, secured, protested or otherwise provided for according to Sec. [7-1-16 NMSA 1978]. If you become a delinquent taxpayer, upon notice of delinquency you have the right to timely notice of collection actions that require sale or seizure of your property under the Tax Administration Act, and
- The right to pay your tax obligations by installment payment agreements according to the provisions of Sec. [7-1-21 NMSA 1978].

### Confidentiality Provisions:

Statutes regulating the confidentiality of your taxes continue to be strict. Sec. [7-1-8 NMSA 1978] requires the department to answer questions about whether a taxpayer is registered to do business in this state or is registered for other tax programs, but it does not allow employees to reveal whether you have filed a return. A hearing officer's written ruling on questions of evidence or procedure according to the provisions of the Administrative Hearings Office Act may be made public, but not the name and identification number of the taxpayer requesting the ruling. Now included in public record are the monthly gasoline tax reports of numbers of gallons of gasoline and ethanol-blended fuels received and deducted, and the tax paid by each filer or payer of the tax. Identities of rack operators, importers, blenders, suppliers or distributors and the number of gallons of gasoline and other fuels are public record. The department may make known to the Gaming Control Board the tax returns of license applicants and their affiliates.

### Audit Provisions:

We must provide you with written, dated notice that an audit is about to begin on a specific date, and the notice must tell you which tax programs and reporting periods will be covered. We must issue a second notice, which states any outstanding records or books of account requested and not yet received, between 60 and 180 days after the audit begins. If you

do not produce the records within 90 days, the department can issue an assessment of tax on the basis of the information as it stands. If you need additional time, you must submit a specific request in writing. Interest on outstanding liabilities accrues if the department does not issue an assessment within 180 days of the notice of outstanding records or books, or within 90 days after time has expired under your request for additional time; however, you are entitled to an abatement of interest for the period of time after you have complied with department requests and the department has not acted on the audit.

**Administrative Hearing Procedures:**

A hearing officer may not engage or participate in any way in the enforcement or formulation of general tax policy other than to conduct hearings. You may request the Chief Hearing Officer of the Administrative Hearings Office determine if a hearing officer has engaged or participated in the enforcement or formulation of tax policy and if the hearing officer's activities have affected his or her impartiality. The Chief Hearing Officer may designate another hearing officer for the matter. Hearing officers may not communicate unilaterally about a mat-

ter you have protested while that matter is still pending. The chief hearing officer may appoint another hearing officer if that occurs. You may request a written ruling on any contested question of evidence in matters in which you have filed a pending written protest. You also may request that two or more protests on related issues be combined and heard jointly, and the hearing officer shall grant the request unless it creates an unreasonable burden on the department.

**Credit Claims:**

The department has 180 days from the filing date to approve or deny a statutory tax credit. If it does not act, the credit is approved. The Secretary decides whether a refund of tax due you may be offset against your other tax liabilities, and you will receive notice that the refund will be made accordingly. You are entitled to interest until the tax liability is credited with the refund amount. Please see the paragraph above on "Audit Provisions" for interest due you if the department does not offset a refund or credit against your other tax liabilities within the prescribed time. The department may make a direct refund of overpaid taxes to the taxpayer without requiring the taxpayer to file a refund claim. The

department does not have to pay interest on credits or refunds if it applies the amount to a tax interception program, to an estimated payment, or to offset prior liabilities of the taxpayer.

**Awarding of Costs and Fees:**

If you prevail in an administrative or court proceeding brought by you or against you after July 1, 2003, under the Tax Administration Act, you may be entitled to a judgment or a settlement for reasonable administrative costs connected to the action.

**Penalty:**

The department may not assess penalty against you if you fail to pay tax when due because of a mistake of law made in good faith and on reasonable grounds. If the Secretary determines that it is unfair to hold a spouse or former spouse liable for payment of unpaid taxes, the Secretary may decline to take action against the spouse or former spouse of the person who actually owes the tax. In extreme cases of delinquency under Sec. [7-1-53], the department may enjoin a taxpayer from continuing in business after a hearing and until the delinquency is cleared.

# Your Electronic Services

- ◆ **Direct Deposit** - Taxpayers due a refund may have their refunds deposited directly into their bank accounts through "Refund Express." See the S-Corp return.
- ◆ **Pay via credit card or electronic check** - Taxpayers may pay taxes over the Internet with Visa, MasterCard, Discover or American Express credit cards. A 2.40% convenience fee calculated on the amount of the transaction covers costs that the companies bill the state when you use your card. **You may also pay by electronic check at no charge.** An electronic check authorizes TRD to debit your checking account in the amount and on the date you specify.
- ◆ **Download forms, publications and brochures or ask a question** - Taxpayers may access forms, publications and brochures from our website.
- ◆ **Ask a question** - You can ask general questions about New Mexico taxes using the e-mail address [policy.office@state.nm.us](mailto:policy.office@state.nm.us), or ask about your tax return at [cit.taxreturnhelp@state.nm.us](mailto:cit.taxreturnhelp@state.nm.us).
- ◆ **New Mexico Taxpayer Access Point: TAP is a secure resource that allows taxpayers to check the status of tax accounts online, file certain returns, make payments, and change their address.** Access our website and select the Taxpayer Access Point (TAP) link. **The status of your refund is available through the "Where is my Refund" link** -- for PIT, CIT, and CRS tax programs. You will need your Social Security Number (SSN), or your Individual Taxpayer Identification Number (ITIN), and the amount of refund due. TAP currently is available for the following tax programs:
  - Alternative Fuels Excise Tax
  - Bingo and Raffle Tax
  - Cigarette Tax
  - Combined Fuel Tax
  - Combined Reporting System (CRS)
  - Conservation Tax
  - Corporate Income Tax
  - E911 Services Surcharge
  - Fiduciary Income Tax
  - Gaming MFG and Distributor Tax
  - Gaming Operator Tax
  - International Fuel Tax (IFTA)
  - International Registration Plan (IRP)
  - Liquor Excise Tax
  - Local Liquor Excise Tax
  - Oil and Gas Proceeds
  - Pass Through Withholding
  - Personal Income Tax
  - Railroad Car Company Tax
  - Resource Excise Tax
  - Severance Tax
  - Telecom Relay Service Surcharge
  - Tobacco Products Tax
  - Water Conservation Fee
  - Weight Distance Tax and Permits
  - Workers' Compensation Tax