
2016 New Mexico Instructions for Form CIT-1 Corporate Income and Franchise Tax Return

READ THE INSTRUCTIONS CAREFULLY. They answer most questions, save time, and may save money. You may also want to read Publication FYI-350, *Corporate Income Tax 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 want a copy of FYI-350, visit our website at www.tax.newmexico.gov.

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

These Instructions Cover the Following Forms:

- CIT-1, *Corporate Income and Franchise Tax Return*
- CIT-A, *Apportioned Income for Multistate Corporations*
- CIT-B, *Allocation of Non-Business Income Schedule*
- CIT-C, *Computation of New Mexico Percentage Schedule*
- CIT-D, *Foreign Dividend Deduction Schedule*
- CIT-CR, *Tax Credit Schedule*
- Form CIT-PV, *Tax Payment Voucher*
- Form CIT-EXT, *Extension Payment Voucher*
- Form CIT-ES, *Estimated Tax Payment Voucher*

2016 Legislative Summary

For information about New Mexico tax law changes enacted during 2016, see Bulletin B-100.28, *2016 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 and Publications", then search the "Publications" for the Legislative Summary for the year in which the legislation passed.

For More Information On . . .

Profit and Non-Profit Corporate Reporting, go to:
<http://www.sos.state.nm.us> -- Click on 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
Call (505) 827-4511 in Santa Fe or toll free (800) 477-3632

Your Electronic Services

- ◆ **File 2016 Form CIT-1 Online.** New Mexico's Taxation and Revenue Department made online filing available for 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.
- ◆ **2016 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 Mexico's Taxpayer Access Point (TAP)** is a secure resource that allows taxpayers to register for a CRS Identification number online, check the status of tax accounts, file certain returns, make payments, and change their address.

Due Dates: Corporate Income Tax is due on or before the due date of the corporation's federal corporate income tax return for the taxable year. **For tax years beginning on or after January 1, 2016, the due date for taxpayers who file and pay electronically** using a Department-approved electronic media is extended until the last day of the month in which the corporation's federal corporate income tax return is originally due for the taxable year.

GENERAL INSTRUCTIONS

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.

Privacy Notification

The New Mexico Taxation and Revenue Department (TRD) 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 firewalls. Taxpayer information on returns is protected in accordance with the confidentiality provisions of the Tax Administration Act, Section [7-1-8 NMSA 1978].

CORPORATIONS REQUIRED TO FILE A NEW MEXICO CORPORATE INCOME AND FRANCHISE TAX RETURN (CIT-1)

Every entity with income from activities or sources in New Mexico **and** required to file a Federal U.S. Corporation Income Tax Return or equivalent return **must file** a New Mexico Corporate Income and Franchise Tax Return (CIT-1). These entities include:

- All corporations organized under the laws of the State of New Mexico, whether they have New Mexico income or not;
- Out-of-state corporations that derive income from business transactions, property, or employment in New Mexico;
- Corporations exempt from federal income tax under the Internal Revenue Code that have unrelated business income; and
- All other business entities that are required or elect to file a Federal Corporation Income Tax Return, including partnerships and limited liability companies treated as corporations by the Internal Revenue Service.

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

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

CORPORATIONS REQUIRED TO PAY THE NEW MEXICO FRANCHISE TAX

All 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 Corporate Income and Franchise Tax 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 that 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 CIT-1 return applicable to the tax year in which the fiscal year or short year begins. For example, if the tax year begins in June 30, 2016, use the 2016 CIT-1 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 below.

If your business does not file a New Mexico Corporate Income and Franchise Tax Return (CIT-1), New Mexico may require you to file one of the following forms for New Mexico instead:

- PTE, *New Mexico Information Return for Pass-Through Entities*,
- S-Corp, *New Mexico Sub-Chapter S Corporate Income and Franchise Tax Return*,

If you file Federal form...	You must file New Mexico form...
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

- PIT-1, *New Mexico Personal Income Tax Return*, or
- FID-1, *New Mexico Fiduciary Income Tax Return*.

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 property 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 CIT-1

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 that 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.

A non-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. Forms are also available at any New Mexico Taxation and Revenue Department district offices listed on page 28 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.

REQUIRED ATTACHMENTS TO CIT-1 RETURN

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

- **CIT-1, pages 1 and 2:** *Corporate Income and Franchise Tax Return*;
- **CIT-A:** *Apportioned Income for Multistate Corporations*;
- **CIT-B:** *Allocation of Non-business Income*;
- **CIT-C:** *Computation of New Mexico Percentage*;
- **CIT-D:** *Foreign Dividend Deduction Schedule*;
- **CIT-CR:** *Tax Credit Schedule* and required attachments, **if applicable**;
- **Federal Form 1120** (pages 1 through 5 **ONLY**): Required of all corporations. Corporations filing under separate corporate entity or combined filing methods must attach a simulated federal Form 1120, pages 1 through 5. The New Mexico return **IS NOT** complete and **WILL NOT** be processed if these forms are missing; and finally
- **Other attachments** as required by instruction.

Important: Attach only pages 1 through 5 of federal Form 1120.

NOTE: If you include a simulated or pro forma federal return, write, "PRO FORMA" across the top of the return. If you attach a copy of a state form as backup for an amended return, write "DO NOT PROCESS" across the face of the return.

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

Other Forms or Attachments You May Have to File

A copy 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

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a copy is omitted, a late-filing penalty will be assessed.

Form RPD-41367, PTW Detail Report For Annual Withholding of Net Income From a Pass-Through Entity, if you are a personal services business required to withhold on payments for certain services. A “**personal services business**” means a business organization that receives payments for the services of a performing artist for purposes of the film production tax credit.

All annual information returns and withholding statements issued to the corporation. 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 20 or 21 of the CIT-1 return. Attach New Mexico Form RPD-41285, *Annual Statement of Withholding of Oil and Gas Proceeds*; Form 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.

When you calculate New Mexico taxable income using a net operating loss carryforward, attach Form RPD-41379, *New Mexico Net Operating Loss Carryforward Schedule for Corporate Income tax*, showing the year that each net operating loss occurred. The schedule should also list the year in which the loss(es) was carried forward.

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 12 of the CIT-1 return.

Corporations with seasonal or annualized income may be able to reduce penalty and interest on underpayment of estimated tax by completing **Form RPD-41287, 2016 Calculation of Penalty and Interest on Underpayment of Estimated Tax**.

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

See *the line instructions for completing Schedule CIT-CR* on page 16 for a description of the **attachments required to claim any non-refundable or refundable credits**. 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. 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; or visit your local district office.

PAYMENT OF CORPORATE 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://efile.state.nm.us/uls2/Logon.aspx>.

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. Whether you submit your return payment with or without your tax return, complete CIT-PV, *Corporate Income and Franchise Tax Payment Voucher*. Write your federal employer identification number (FEIN) and “2016 CIT-1” on your check or money order. Make the check or money order payable to New Mexico Taxation and Revenue Department.

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 CIT-EXT, *Corporate Income and Franchise Tax Extension Payment Voucher*, and submit the payment voucher and your payment. Write your federal employer identification number (FEIN) and “2016 CIT-EXT” on the check or money order.

If you make an estimated payment, complete CIT-ES, *Corporate Income and Franchise Estimated Tax Payment Voucher*, and submit the payment voucher and your payment. Write your federal employer identification number (FEIN) and “CIT-ES” on the check or money order. **Important: The CIT-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 WITH-OUT 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 2016 return and payments for your 2017 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 corporation will be assessed a minimum penalty of \$20 in addition to other applicable penalties and interest.

DUE DATE

For corporations that file on a calendar year basis, the 2016 New Mexico Corporate Income and Franchise Tax Return is due on or before April 18, 2017, together with payment of taxes due.

For corporations that file on a fiscal year basis, or a short year return, the New Mexico Corporate Income and Franchise Tax Return is due on or before the 15th day of the fourth month following the close of the tax year with payment of taxes due.

NEW: If you file your 2016 CIT-1 return and pay your tax online, your filing deadline is **May 1, 2017**, or on or before the last day of the fourth 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. All other taxpayers must file by **April 18, 2017**,

or on or before the last day of the fourth 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.

EXTENSION OF TIME TO FILE

TRD accepts an extension of time granted by the Internal Revenue Service if a copy of the automatic or approved federal extension accompanies the CIT-1 return at the time of filing.

If the corporation needs an extension of time to file the New Mexico Corporate Income and Franchise Tax 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 corporation 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.

EXTENSION PAYMENT

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 Corporate Income and Franchise Taxes* on page 4 of these instructions. The CIT-EXT payment voucher is used to make an extension payment by mail.

INTEREST AND PENALTIES

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%-4%. The annual and daily interest rates for each quarter will be posted on our website at <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:

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

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 Entity ID, 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 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 CIT-ES payment voucher is used for making estimated payments by mail. To make an extension payment see *Payment of Corporate Income and Franchise Taxes* on page 5 of these instructions. Also see instructions for **How to determine the amount of your quarterly estimated payment** on page 24.

AMENDED RETURNS

Use the CIT-1 return for the year being amended and mark the checkbox at the top of page 1 of the form to indicate the type of amended return. Attach all required schedules.

NOTE: Generally, you do not need to attach a copy of the originally filed state CIT-1 return as backup for the amended return. If you do attach a copy of a state return 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 24 and 25 blank.

Amended - R.A.R.: Report changes resulting from an Internal Revenue Service audit within 180 days of the date the federal adjustments are final. Attach a copy of the Revenue Agent's Report (RAR) inclusive of spreadsheets detailing federal adjustments by company name.

IMPORTANT: If the New Mexico amended return shows changes as the result of a Revenue Agent's Report, the changes must be reported within 180 days of the date the federal adjustments are final.

Amended - Capital Loss: You may carry back a federal capital loss as allowed by the Internal Revenue Code only to the extent it does not increase or create a net operating loss in the tax year to which it is carried. A schedule showing the application of the capital loss for each carryback and carryover year must accompany the amended return. The New Mexico return is not complete and will not be processed without it.

The capital loss of any taxpayer may not be carried back or forward to any other taxpayer. If in a prior year the members of a consolidated or combined group had filed a New Mexico corporate income and franchise tax return, only the capital losses of the members of that particular consolidated or combined group may be carried back to its own prior year's New Mexico income tax returns. The loss may not be carried back to offset any other group's or corporation's taxable income.

When amending a return to carry back a capital loss, attach a copy of the federal Form 1139 or 1120X filed with the Internal Revenue Service.

Amended - Other: Other Changes-- If the New Mexico amended return reports changes resulting from filing an

amended federal return, attach copies of all applicable federal forms or schedules. If amending for any other reason, attach an explanation for all changes.

LINE INSTRUCTIONS FOR COMPLETING THE CIT-1 RETURN

Computerized schedules WILL NOT be accepted in lieu of completing the appropriate forms or schedules. All applicable line items on the CIT-1 return and Schedules CIT-A, CIT-B, CIT-C, CIT-D, CIT-CR and federal Form 1120, 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 CIT-1. Type or print the corporation's registered name, address and ZIP code in the space provided. Verify that the information is correct. Mark the checkbox indicating an original or amended return.

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 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.

Type or print the corporation's federal employer identification number (required), New Mexico CRS identification

Reminder: Write your correct federal employer identification number (FEIN) on ALL forms, schedules, payments and correspondence.

number, and New Mexico Corporate Entity ID.

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 corporation 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 corporation 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.

Fiscal year or short year filers should enter the beginning and ending dates (month, day and year) from their federal return. No entry is required for calendar year filers. Use the CIT-1 return applicable to the tax year in which the short year or fiscal year begins. For example, if the tax year begins on June 30, 2016, use the 2016 CIT-1, regardless of the ending date of the tax year.

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 a contact telephone number for the taxpayer. This number may be the same number as the taxpayer phone number on page 2 of the CIT-1.

Complete Questions A through L.

Question D. NAICS (North America Industrial Classification System) Code. The business activity code reported for New Mexico filing purposes would 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.

Question E. Method of Reporting. New Mexico recognizes three corporate income tax reporting methods:

1. Separate Corporate Entity.

2. Combination of Unitary Domestic Corporations (includes all unitary corporations incorporated in the United States and all unitary foreign corporations doing business in the United States).
3. Federal Consolidated Group.

A corporation may change its reporting method subject to the following limitations: a corporation may change its method of reporting without prior permission from the Department if the new reporting method chosen has a higher number on the above list than the previous reporting method. If a corporation wishes to change to a reporting method with a lower number, e.g., from Federal Consolidated Group to Separate Corporate Entity, it must obtain written permission PRIOR TO the start of the tax year. Permission will be granted only after it demonstrates that the prior method would materially misrepresent the corporation's income in New Mexico. **Retroactive election of a different reporting method is not permitted.**

See Publication FYI-350, *Corporate Income and Corporate Franchise Tax*, for more information about allowable New Mexico reporting methods.

Question F. Method of Accounting. The corporation must indicate its method of accounting. "Other" includes such accounting methods as "completed contract" and "percentage of completion" and must be specified in the space provided.

New Mexico requires a corporation to use the same method of accounting for both New Mexico and federal corporate income tax purposes.

Question I. This question must be completed if you are filing a combined or consolidated return. If completing Question I, the total of column 3 must equal line 19 of the CIT-1 return and the total of column 4 must equal line 15 of the CIT-1.

Question K. If the reporting entity is taxed as a corporation but is an entity other than a corporation, enter the legal entity type in the space provided. Examples of legal entity types are LLC

and partnership. For example, a New Mexico partnership elects or is required to file federal Form 1120, thus required to file a New Mexico CIT-1 return. The partnership answers Question K by entering the legal entity type "partnership" in the space provided.

Question L. 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 2016 tax year, enter zero on line 1 and mark the box on Question L. You must also complete and attach Schedule CIT-A.

Refund Express

If you request an amount to be refunded to you on line 29, you may wish to have your refund deposited directly into your bank account through Refund Express. To choose Refund Express, complete the "Refund Express" portion on page 1 of the CIT-1 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.

Refund Express - Question 4 is required: 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 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 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 — 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 at the top of this page, the routing number is

CORPORATION'S NAME
123 Main Street
Anyplace, NM 87000

1540
15-000000000

PAY TO THE ORDER OF _____

ANYPLACE BANK
Anyplace, NM 87000

Routing Number
Account Number

For _____

A211500151A 2015551517C 1540

Do not include the check number

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, the account number is 2015551517. **Do not** include the check number.

You **must** indicate the **type of account**. Place an "X" in the "Checking" box if it 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 payable to the name on the CIT-1 return. **NOTE:** TRD 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". Federal banking rules require that you answer this question. See "Refund Express - Question 4 is required" on the previous page.

Collection of Debts From Your Refund

TRD 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 TRD 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.

CIT-1 RETURN, PAGE 2

NOTE: References to federal form line numbers correspond to the most recent federal forms available as of the date of this printing. If the references do not correspond to the federal form, the correct line from the federal form for the item described should be used.

Round all dollar amounts to the nearest whole dollar. The forms do not allow the entry of cents.

Line 1. Taxable income before federal NOL & special deductions. Enter the federal taxable income before net operating loss (NOL) and special deductions from federal Form 1120. Corporations exempt from federal income tax that have unrelated business income must enter unrelated business taxable income from federal Form 990-T, Part II.

NOTE: 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 2016 tax year, enter zero on line 1 and mark the indicator box on the first

Line 10.

CORPORATE INCOME TAX RATES

For tax years beginning 1/1/2016, but prior to 1/1/2017.

<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 6.6% of the excess over \$1,000,000

page of the CIT-1 return, Question L. You must also complete and attach Schedule CIT-A.

Line 1a. Federal net operating loss incurred. If the taxable income on your federal Form 1120 is zero or less, enter any federal net operating loss incurred for the tax year. See the instructions for the federal return to determine the amount of the federal net operating loss incurred. The amount to be entered must not be negative.

Line 2. Interest income from municipal bonds. Enter interest income from non-New Mexico municipal bonds and other obligations not subject to federal income tax under IRC Section 103.

Line 5. New Mexico NOL carryover. Enter the New Mexico net operating loss (NOL) carryover that may be applied to the liability on your CIT return. Attach Form RPD-41379, *New Mexico Net Operating Loss Carryforward Schedule for Corporate Income Tax*, to your return showing the tax year when each New Mexico net operating loss occurred. The schedule also should list each loss for each tax year for which it was carried forward, including 2016.

All New Mexico net operating losses must flow from a federal net operating loss. You cannot have a New Mexico NOL without first having a federal NOL. The New Mexico NOL can be increased by the income, if any, from U.S. government obligations less related expenses. See Form RPD-41379 to compute the New Mexico NOL incurred and applied.

Unlike a federal net operating loss carryforward, a New Mexico net operating loss incurred cannot be carried back and if incurred on or after January 1, 2013, may be carried forward for 19 years or until the total amount of the loss carryover has been used, whichever occurs first. For a net operating loss that was incurred in tax years beginning before January 1, 2013, a New Mexico net operating loss may be carried forward for only five years. Refer to Regulation 3.4.1.9(E) NMAC, if the net operating loss was incurred in a tax year beginning prior to January 1, 1991.

You cannot apply a New Mexico net operating loss carryforward until the following tax year -- provided you have filed a timely return -- or until the first tax year that begins after the date you file a return establishing the loss.

The New Mexico NOL carryover deduction is limited to the sum of:

(a) The amount of any federal NOL carryover claimed and allowed for losses incurred in tax years beginning prior to January 1, 1991, and

(b) The amount of any NOL (as defined by Section 172(c) of the Internal Revenue Code) incurred in tax years beginning on or after January 1, 1991.

Line 6. 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 of the CIT-1 return. 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 repurchase agreements of U.S. obligations (REPOs) is not deductible. Interest on notes issued by the Federal Home Loan Bank obligations is deductible, but not dividends issued by the Federal Home Loan Bank. That portion of income paid by mutual funds, unit investment trusts and a simple trust that is derived from investments in U.S. obligations may be deducted.

Interest income from bonds issued by the state of New Mexico or its political subdivisions may also be deducted on this line to the extent that the income was included in federal taxable income (CIT-1, line 1).

Line 8. Deduction for foreign dividends. Enter the total New Mexico foreign dividend deduction from line 5 of Schedule CIT-D. You must also attached Schedule CIT-D

Line 12. New Mexico Income Tax. Multiply line 10 by the percentage on line 11. However, if you qualify to file Schedule CC, because you have no business activity 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 13. Total tax credits applied against the income tax liability on line 12. If you may claim any of the tax credits listed below, complete Schedule CIT-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 CIT-CR, line A. The supporting documentation required to claim any of the tax credits is described in the section "Schedule CIT-CR Line Instructions" beginning on page 17 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 CIT-CR may not exceed the income tax claimed on line 12 of CIT-1.

A 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, or
- 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 these credits are reported on line 28 of the CIT-1 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 <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; or visit your local district office.

Line 15. Franchise Tax. Every domestic or foreign entity taxed as a corporation must pay the \$50 franchise tax if it:

- Transacts business in, into or from New Mexico;
- Derives income from property or employment within this state;
- Has or exercises its corporate franchise in New Mexico, whether engaged in active business or not; or
- Is an otherwise tax-exempt corporation with unrelated business income.

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.

Corporations that are exempt from federal income tax, such as homeowners' associations and 501(c)(3) organizations, are subject to the franchise tax if the corporation has unrelated business income. Insurance companies and reciprocal or inter-insurance exchanges that pay a premium tax to New Mexico are exempt from franchise tax, as well as rural electric cooperatives established under the Rural Electric Cooperative Act.

Taxpayers who have no nexus in New Mexico pursuant to P.L. 86-272, are not immune from paying the 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 www.sos.state.nm.us; click on Business Services.

NOTE: Each corporation that is a member of a combination of unitary

corporations or a member of a consolidated group that meets any one of the above requirements must pay the \$50 franchise tax. If you file using a combined unitary or consolidated group method, the total amount must equal the amount on CIT-1, page 1, Question I, column 4.

Line 19. Total Payments. Enter the total amount of all extension and quarterly estimated tax payments and any amount applied from the prior year. For amended returns, include additional tax paid on or after the due date of the return. Mark the appropriate box(es) to indicate the source of the tax payments.

NOTE: If any amounts on line 19 were paid using a federal employer identification number (FEIN) other than the one entered at the top of the CIT-1 return, a schedule indicating the name and FEIN under which the payment was made is required. If you file using a combined unitary or consolidated group method, Question I on CIT-1, page 1 satisfies the requirement for the statement. Ensure that the total amount in column 3 equals the amount on line 19, page 2 of the CIT-1.

If you owe penalty and interest for underpayment of estimated corporate income tax, and you qualify to use the special penalty calculation (method 4), you may be able to reduce the amount of penalty and interest on underpayment of the estimated tax payments by filing Form RPD-41287, *2016 Calculation of Estimated Corporate Income Tax Penalty and Interest on Underpayment*. If you elect to file using method 4, you must mark the checkbox 19a, below line 19, on page 2 of the CIT-1 and attach a completed Form RPD-41287.

Generally, taxpayers who pay penalty and interest on underpayment of estimated tax do not need to mark the indicator box, line 19a or file Form RPD-41287. If estimated tax is due, the Department will calculate the penalty and interest on underpayment of estimated corporate income tax using the lower of methods 1, 2 or 3 and send you a bill. However, if you owe penalty for underpayment of estimated payments, you may reduce or eliminate penalty if you qualify for the special penalty

calculation method 4.

See *How to determine the amount of your quarterly estimated tax payment* on page 24 for a description of the calculation methods.

LINE 20. 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 CIT-1.

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 21. New Mexico income tax withheld from a pass-through entity.

Enter the total New Mexico income tax withheld from the net income of pass-through entities (PTE) as shown on your annual withholding statements, 1099-Misc or Form RPD-41359, *Annual Statement of Pass-Through Entity Withholding*. Include a copy of the form(s) with your CIT-1 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
CIT-1

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 owner is also a PTE, the tax withheld on the owner's share of net income of the PTE may be passed to the owners by issuing the owners 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 22. Total payments and tax withheld. Enter the sum of lines 19 through 21 to compute the total payments and tax withheld.

Line 23. Tax due. If line 18 is greater than line 22, subtract line 22 from line 18 and enter the difference on line 23. This is the amount of tax you owe.

Line 24. Penalty. Add penalty if you file late and owe tax, or you do not pay the tax on or before the due date of the return, or the extended due date of the return. Calculate penalty by multiplying the unpaid amount on line 23 of the CIT-1 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 25. Interest. Add interest if the amount of tax due on line 23 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. Search for "Effective interest rates".

The formula for calculating daily interest is:

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

Line 27. Overpayment. If line 22 is greater than line 18, subtract line 18 from 22 and enter the difference on line 27. This is your overpayment. All or part of an overpayment may be applied to the 2016 liability. Indicate the amount of overpayment you want applied to your 2016 liability on line 27a, and/or the amount of overpayment you wish to be refunded on line 27b.

Line 28. Total portion of tax credits to be refunded. Enter the portion of approved tax credits that may be refunded to you, reported on line B of Schedule CIT-CR.

Any portion of these credits to be applied to the amount of tax due on this return is entered on Schedule CIT-CR, line A, and is included in the amount reported on line 13 of the CIT return.

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 CIT-CR Line Instructions" beginning on page 16 of these instructions.

Line 29. Total refund of overpaid tax and refundable credit due to you. Enter the sum of lines 27b and 28. This is your total refund of overpaid tax and refundable credit due to you.

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

Any person, other than an employee of the corporation, preparing the return for compensation must also sign and date the return. A preparer other than an employee of the corporation 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 the 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.

LINE INSTRUCTIONS FOR COMPLETING SCHEDULE CIT-A

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

Complete lines 5 through 9 of Schedule CIT-A before completing lines 1 through 4 of CIT-A. If applicable, complete Schedule CIT-B before completing Schedule CIT-A.

Round each percentage to four decimal places (example, 26.6270%).

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

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

On lines 5 through 9, columns 1 and 2, all entries must be either a positive number or a zero. Negatives are not allowed. For 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.

You must complete column 1, *Total everywhere*, if you complete column 2, or the Department will process the return apportioning 100% of the income to New Mexico.

"Apportionable income" means income arising from transactions and activities in the regular course of a corporation'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 corporation's regular trade or business. It includes investment income related to or used in the corporation's overall business operations. The following sources of income are apportionable and must be included:

- Dividend income from the investment of working capital or dividend income from an investment that is functionally connected to the corporation'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 that is functionally connected to the corporation's trade or business.
- Royalty income and fees from patents, copyrights, franchises, trademarks and licenses developed in the regular course of the corporation's trade or business, or royalty income and fees from a product or mineral interest used in the regular course of the corporation's trade or business.
- Rental or subrental income from property purchased, leased or used in the regular course of the corporation's trade or business.
- Gains or losses from the sale of assets used in the regular course

of the corporation'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.

Construction contractors, railroads, airlines, trucking companies, financial institutions, television and radio broadcasters and publishers are subject to special apportionment rules. Taxpayers electing the combined or consolidated methods of reporting must apply these apportionment rules to each qualifying entity included on the return.

Line 5. 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 the taxpayer and adjusted by subsequent capital additions, improvements and partial dispositions.

Value property 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 subrental of the same property. If property owned by others is used by the corporation at no charge or rented by the corporation 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 TRD determines that a monthly average is necessary to correctly reflect the average value of the taxpayer's property.

Line 6. 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 includable 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 attributable to business operations subject to apportionment is included in the payroll factor. Compensation of an 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 7. 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 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 New Mexico regardless of the FOB point or other conditions of the sale, or
- 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); or
- 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 8 and 9. 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, or
- A taxpayer whose principal business activity in New Mexico is a headquarters operation and who elects to use the single weighted sales factor apportionment for-

mula, 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 8 and 9 as described on Schedule CIT-A. Taxpayers electing to use the manufacturers apportionment formula or required to use one of the exclusions described above, must follow the instructions below.

Exclusion 1 Electing Manufacturers Apportionment 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 next page for the apportionment formula.

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 Section 7-4-10(B) NMSA 1978.

Definition of Manufacturing

"Manufacturing" means combining or processing components or materials to increase their value for sales in the ordinary course of business, but does not include:

- (a) construction;

(b) farming;

(c) power generation, except for electricity generation at a facility other than one for which both location approval and a certificate of convenience and necessity are required prior to commencing construction or operation of the facility, pursuant to the Public Utility Act [Articles 1 through 6 and 8 through 13 of Chapter 62 NMSA1978] or

(d) processing natural resources, including hydrocarbons.

How to Make the Election

To elect to use the electing 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

On CIT-A, line 9, use the formula in the chart that corresponds to the tax year of your return to calculate the apportionment percentage. Also complete lines B and C on Schedule CIT-A.

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 taxpayer, 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 statutory authority for this elective method is Section 7-4-10(C) NMSA 1978.

Definition of Headquarters

"Headquarters operation" means:

(a) the center of operations of a business: 1) where corporate staff employees are physically employed; 2) where centralized functions are performed, including administrative, planning, managerial, human resources, purchasing, information technology and accounting, but not including a call center; 3) the function and purpose of which is to manage and direct most aspects and regional headquarters if the national headquarters is subordinate only to the ownership of the business or its representatives and the regional headquarters is subordinate to the national headquarters; or

(b) the center of operations of a business: 1) the function and purpose of which is to manage and direct most aspects of one or more centralized functions; and 2) from which final authority over one or more centralized functions is issued.

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 Schedule CIT-A, line 9.

Complete the property factor and payroll factor on lines 5 and 6 even if you elect to report by sales factor. Compute the sales factor on line 7. Transfer the amount in line 7 to line 8 and 9. Also complete lines B and C on Schedule CIT-A.

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.

LINE INSTRUCTIONS FOR COMPLETING SCHEDULE CIT-B

Schedule CIT-B must be used by corporations to allocate **income not connected to the corporation's regular trade or business.**

Important: You must complete column 1, *Gross Amount*, if you complete columns 2, 3 or 4.

Direct and indirect expenses related to allocated income must be deducted from the related income. Expenses related to allocated income are deter-

Single Weighted Sales Factor For Electing Manufacturers

For tax years beginning:

The apportionment formula is:

January 1, 2016 through December 31, 2016

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

mined by the corporation's books and records. If the corporation's books and records do not reflect proper amounts for deduction, the corporation may rely on other reasonable methods.

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

Line 1. Allocated Non-business Dividends. Column 4: Total amount in column 3 is allocated to New Mexico if the taxpayer's commercial domicile is in New Mexico.

"Commercial domicile" means the principal place from which the taxpayer's trade or business is directed or managed.

Line 2. Allocated Non-business Interest. Column 4: Total amount in column 3 is allocated to New Mexico if the taxpayer's commercial domicile is in New Mexico.

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

1. Income from real property in New Mexico;
2. Income from all tangible personal property if the taxpayer's commercial domicile is in New Mexico and the corporation is not organized under the laws of or taxable in the state where the property is used;
3. Income from tangible personal property 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. Allocated Net Profit or Loss on the Sale or Exchange of Non-business Assets. Column 4: The net gain or loss from the sale or exchange of the following is allocated to New Mexico if it is non-business income:

1. Real property 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 corporation'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 corporation's commercial domicile is in New Mexico.

Line 6. Allocated Non-business Partnership Income. Column 4: Non-business partnership income is allocated to New Mexico to the extent the partnership conducts business in this state.

Line 7. Other Allocated Non-business Income. A schedule must be attached to identify all other allocated income.

LINE INSTRUCTIONS FOR COMPLETING SCHEDULE CIT-C

Complete lines 1 through 4.

Line 5. New Mexico Percentage. Divide the amount on line 4 by the amount on line 1, multiply by 100 and enter the New Mexico percentage here and on line 11, page 2 of the CIT-1. If the percentage is negative, enter zero. Round the percentage to four decimal places (for example, 26.9658%). This percentage cannot be less than zero or more than 100%.

LINE INSTRUCTIONS FOR COMPLETING SCHEDULE CIT-D

All corporate taxpayers may deduct foreign dividend gross-up amounts. Only taxpayers electing the separate corporate entity filing method may deduct foreign-source dividend payments on lines 2 through 4 on Schedule CIT-D. **Combined and consolidated filers may elect to adjust their apportionment percentages by inclusion of the factors of their foreign-source dividend payers.** For assistance on this election, call (505) 827-0825 or toll free: (866) 809-2335, option 4. Or, e-mail: cit.taxreturnhelp@state.nm.us

Line 1. Enter foreign dividend gross-up from federal Form 1120, Schedule C, line 15, net of any applicable expenses.

Separate Corporate Entity Filers Only--Complete Lines 2 Through 4

Line 2. Enter 70% of dividends listed on federal Form 1120, Schedule C, lines 13 and 14, received from less than 20% owned foreign corporations. Do this only if those dividends would have been subject to a 70% deduction under IRC Section 243(a)(1) had the dividend payers been domestic corporations.

Line 3. Enter 80% of dividends listed on federal Form 1120, Schedule C, lines 13 and 14, received from at least 20% but less than 80% owned foreign corporations, but do so only to the extent those dividends would have been subject to an 80% deduction under IRC Section 243(c) had the dividend payers been domestic corporations.

Line 4. Enter 100% of dividends listed on federal Form 1120, Schedule C, lines 13 and 14, received from 80% or more owned foreign corporations, but do so only to the extent those dividends would have been subject to a 100% deduction under IRC 243(a)(3) had the dividend payers been domestic corporations.

CONSISTENCY IN REPORTING

A corporation is required to be consistent in:

- Classifying income as allocable 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.

PETITION PROCEDURE OPEN TO TAXPAYER

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 part of the taxpayer's income.

AFTER YOU FILE YOUR RETURN

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 varies according to when you file your return. Occasionally, computation errors in a tax return 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, the return 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 TRD through either the claim-for-refund procedure or the protest procedure. Publication FYI-406 is available by contacting the Department or by downloading from the Department website at www.tax.newmexico.gov. Click on "Forms and Publications" and navigate to publications.

LINE INSTRUCTIONS FOR COMPLETING SCHEDULE CIT-CR

Use Schedule CIT-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 CIT-1 return. You may also claim on this schedule any portion of approved Film Production Tax Credit, Renewable Energy Production Tax Credit, or Technology Jobs and Research and Development Tax Credit that may be refunded to you. Transfer the totals to the CIT return as instructed on the schedules. Be sure to attach the appropriate backup documentation to support the credit taken and attach Schedule CIT-CR to your CIT, *2016 New Mexico 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 CIT-CR. Attach the supplemental to the Schedule CIT-CR, reporting the additional credits. You must report the first 5 credits on Schedule CIT-CR. Only credits claimed in excess of 5 will be reported on the supplemental Schedule CIT-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 12 of the CIT 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, Film Production, 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 CIT-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 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

CIT-CR must include the sum of all credits reported on both the Schedule CIT-CR and the supplemental to the Schedule CIT-CR.

Make sure you transfer the amounts to the correct line on the CIT return, as follows:

- Transfer the total credits to be applied to the liability due from Schedule CIT-CR, line A, to line 13 of the CIT return.
- Transfer the tax credits to be refunded from Schedule CIT-CR, line B, to line 28 of the CIT return.

TAX CREDIT TYPES

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 CIT along with Schedule CIT-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 CIT with Schedule CIT-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 CIT with Schedule CIT-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, 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 CIT with Schedule CIT-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 CIT-1

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 CIT with Schedule CIT-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 CIT and Schedule CIT-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 CIT-CR. Submit the state-

ment and the CIT-CR with your CIT. When the credit (\$300) is split among married individuals, 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 post production 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 CIT return. Complete Schedule CIT-CR and attach it to your CIT 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 CIT with Schedule CIT-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 CIT-1 along with Schedule CIT-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 CIT with Schedule CIT-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 CIT with Schedule CIT-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 CIT 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. 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 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 CIT along with Schedule CIT-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 CIT, Schedule CIT-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 CIT with Schedule CIT-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, 2017, to qualify.

NOTE: You may apply only additional technology jobs tax credits to your 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, 2017. 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, 2016, 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, and
 - 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, 2016.

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 business 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, and
 - 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 CIT-CR along with your CIT. 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*.

CIT-ES, CORPORATE INCOME AND FRANCHISE ESTIMATED TAX PAYMENT VOUCHER

WHOMUST FILE - Every corporation 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, *2016 Calculation of Estimated Corporate Income Tax Penalty and Interest on Underpayment*, and mark the checkbox 19a on page 2 of the CIT-1 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

ESTIMATED TAX PAYMENT CHART

If your tax year ends in:	Your estimated tax payments for this tax year are due on the 15th of:			
	1st Period	2nd Period	3rd Period	4th Period
December	April	June	September	December
January	May	July	October	January
February	June	August	November	February
March	July	September	December	March
April	August	October	January	April
May	September	November	February	May
June	October	December	March	June
July	November	January	April	July
August	December	February	May	August
September	January	March	June	September
October	February	April	July	October
November	March	May	August	November

RPD-41287, 2014 Calculation of Estimated Corporate Income Tax Penalty and Interest on Underpayment, and attach it to your CIT-1. You must also mark the box 19a indicating that you qualify for the special underpayment penalty and interest calculation method. You must both mark line 19a and attach Form RPD-41287 to be allowed any adjustment to your underpayment penalty or interest due to method 4. 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 24 and 25, CIT-1, 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. See the chart below.

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 CIT-ES payment voucher and mail the voucher and payment to the Department.

COMPLETING THE CIT-ES PAYMENT VOUCHER

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

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

Write the tax year and CIT-ES on your check or money order. When completing the CIT-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 "12/31/2014". If filing a fiscal year return, enter the last day of the fiscal year. For example, if filing a return for July 1, 2014 through June 30, 2016, enter "06/30/2016". If the corporation making the estimated tax payment joins other corporations in filing the 2016 CIT-1 return, enter the name, address and FEIN of the corporation that will be responsible for filing the CIT-1.

If you submit one or more payments to the Department under an incorrect FEIN, you must submit a schedule of payments with your CIT-1. Provide the company name and FEIN as originally submitted on the CIT-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 (CIT-ES, CIT-EXT or CIT-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.

ASSEMBLE YOUR RETURN

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

IMPORTANT: File Returns on Approved State Forms.

Always submit 2016 Corporate Income Tax Returns on official state forms provided by or approved by the Department. Never submit a return with a form that has been **photocopied** or **photoshopped** as it will not be accepted.

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.

New Mexico Taxpayer Bill of Rights

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 Sections 7-1-4.1 through 7-1-4.3 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 Section 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 Section 7-1-24 NMSA 1978 and the Administrative Hearings Office Act;
- The right to have your tax information kept confidential unless other-

wise specified by law in Sections 7-1-8.1 through 7-1-8.10 NMSA 1978;

- The right to an abatement of an assessment of taxes incorrectly, erroneously or illegally made (Section 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 (Section 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 Section 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 Section 7-1-21 NMSA 1978.

Confidentiality Provisions:

Statutes regulating the confidentiality of your taxes continue to be strict. The Legislature included language in Section 7-1-8 NMSA 1978 requiring 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 matter 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 Section 7-1-53 NMSA 1978 the Department may enjoin a taxpayer from continuing in business after a hearing and until the delinquency is cleared.

Reminder:
Write your correct federal employer identification number (FEIN) on ALL forms, schedules, payments and correspondence.

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

In addition . . .

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

Our address is:

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

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

Other Internet Services...

- **Ask a Question** - E-mail us with your question. 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:

<http://www.tax.newmexico.gov/Online-Services>