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5. Exemptions

The number of exemptions is computed for you based on the information entered in the previous pages, for you, your spouse, if filing a joint return, and your qualifying dependents.

This number must match the number of exemptions allowed on your federal return. New Mexico uses the same definitions and qualifications as the IRS to determine if someone is your dependent.

If you were or your spouse was a dependent or qualify as a dependent of another individual for federal income tax purposes, whether or not you or your spouse were claimed as a dependent on the other person's federal return, exclude that spouse from your allowable exemptions. To do this, edit the field to change the number of exemptions. You may reduce the number computed by 1 or 2.

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6. Extension of Time to File

If you have a federal or New Mexico extension of time to file, mark box 6a and select the 60-day or six-month extension box, depending upon the extension received. The extended date will be completed for you.

- Select 6 months, if you filed a timely federal Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, and were granted a federal automatic six-month extension (through October 15th).

- Select 60 days, if you filed a timely New Mexico Form RPD-41096, *Application for Extension of Time to File*, and were granted a New Mexico 60-day extension (through June 15th) <http://realfile.tax.newmexico.gov/rpd-41096.pdf>

IMPORTANT: An extension of time to file your return does **not** extend your time to pay.

For more information, see *Extension of Time to File* on page 15 of the PIT-1 instructions <http://realfile.tax.newmexico.gov/2015pit-1-ins.pdf>

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9. Federal Adjusted Gross Income

Enter the federal adjusted gross income as reported on your federal form:

<u>If you filed federal Form</u>	<u>Enter the amount from</u>
1040	Line 38
1040A	Line 22
1040EZ	Line 4

Federal Return Attachments Required

Generally, you do not attach your federal return to your PIT-1. If, however, you have a combined loss of over \$40,000, from one or more of the following federal forms and schedules, attach to Form PIT-1, your federal Form 1040, pages 1 and 2, and the federal Form 1040 Schedules showing the loss or losses taken on Form 1040.

- Form 1040, Schedules C or C-EZ for business income or loss
- Form 1040, Schedule D for capital gains or loss
- Form 1040, Schedule E for rental real estate, royalties, partnerships, S corporations, trusts, income
- Form 1040, Schedule F for farm income or loss
- Form 4797, Other gains or losses

Attachments

To add an attachment, click on the **Add** button on the far left sidebar of your screen, next to "Attachments". The next screen will allow you to upload a document to be submitted with your return. For specific directions, see the Help files on the sidebar. Click "I Have a Question", then under the **RETURNS/PERMITS** tab, click on Q6.

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9a. Federal Net Operating Loss

If your federal adjusted gross income 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. You must enter the federal net operating loss as a positive number.

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10. Itemized State and Local Deduction

If you itemized deductions on your 2015 federal income tax return, on your PIT-1 Return you must add back all or part of the amount shown for **Taxes You Paid (state and local)** on federal Form 1040, Schedule A, line 5.

To determine the amount to enter on line 10, click on the *Enter Deductions* button and complete the *Worksheet for Computing the Amount on Line 10 of the PIT-1 Return*.

The following restrictions apply:

- The amount cannot be below the standard deduction amount you would have qualified for if you had not elected to or if you were required to itemize your deductions on your federal return.
- If the amount of the itemized deductions allowed on your federal return is limited because your federal adjusted gross income exceeds certain thresholds, your state and local tax deduction add-back is also reduced. The add-back is reduced by a percentage equal to the itemized deductions allowed and the total itemized deductions reported on federal Form 1040, Schedule A, before the limitation is applied.

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11. Additions to Federal Adjusted Gross Income

If any of the following are true, you are required to complete Schedule PIT-ADJ:

- You received interest and dividends from federally tax-exempt bonds.
- You have a net operating loss.
- You had contributions refunded when closing a New Mexico-approved Section 529 college savings plan account.
- You had certain contributions rolled out of a New Mexico-approved Section 529 college savings plan account.
- You claimed a charitable deduction on federal Form 1040, Schedule A for a donation of land to private non-profit or public conservation agencies for conservation purposes from which you were allowed the New Mexico land conservation tax credit.

For more information about calculating the additions, see the instruction links or the 2015 PIT-ADJ, lines 1 to 4 instructions. <http://realfile.tax.newmexico.gov/2015pit-adj-ins.pdf> Click on the *Add/Edit PIT-ADJ (1-5)* button to enter your additions.

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12. Federal Standard or Itemized Deduction Amount

The standard federal deduction amount is entered for you (From federal Form 1040, line 40, or from federal Form 1040A, line 24)

If you itemized deductions on your 2015 federal Form 1040, mark box 12a and enter the allowable federal itemized deductions you reported on Form 1040, line 40. Mark box 12a only if you itemized your deductions on Form 1040, line 40.

If You File Federal Form 1040EZ

Filers of federal Form 1040EZ, once you mark the box on line 12a, TAP will compute the deduction and enter zero for the exemption on line 13.

Charitable Deduction of Land

If you claim a charitable deduction in your federal itemized deductions on federal Form 1040, Schedule A for a donation of land to private non-profit or public conservation agencies for conservation purposes from which you were approved for the New Mexico land conservation tax credit, you must add back the charitable deduction amount included in your itemized deductions on Form 1040, Schedule A. To calculate the amount of the charitable deduction to add back, click the button next to line 4, on the PIT-ADJ page, and complete the *Charitable Deduction Worksheet*.

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13. Federal Exemption Amount

Your federal exemption amount is entered for you. The amount entered should match your entry from your federal form:

- Form 1040, line 42, **or**
- Form 1040A, line 26

NOTE: If you filed federal Form 1040EZ, line 13 will be zero.

If your federal exemption amount does not match the amount reported on your federal return as described above, verify the exemptions entered on line 5 and review your entries on the primary information page to make sure your dependents are added.

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14. Low- and Middle-Income Tax Exemption

A New Mexico income tax exemption is allowed for low- and middle-income taxpayers. All taxpayers, including residents, part-year residents, first-year residents, and non-residents may claim this exemption in full. The amount of your exemption is completed for you based on the information supplied on the previous pages.

The maximum is \$2,500 for each qualified exemption for federal income tax purposes. The amount varies according to filing status and adjusted gross income.

To claim the exemption, the amount on PIT-1, line 9 must be equal to or less than any of the following:

- \$36,667 (if single)
- \$27,500 (if married filing separately)
- \$55,000 (if married filing jointly, qualified widow(er), or head of household)

To learn how to calculate the exemption, see *New Mexico Low- and Middle-Income Tax Exemption Worksheet* on page 25 of the PIT-1 instructions. <http://realfile.tax.newmexico.gov/2015pit-1-ins.pdf>

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15. Deductions/Exemptions from Federal Income

You are required to complete and attach Schedule PIT-ADJ if you wish to claim any of the following are deductions and exemptions:

- You have interest and dividend income on New Mexico state and local bonds.
- You have a New Mexico net operating loss carryover.
- You have interest income from U.S. Government obligations.
- You have Railroad Retirement income not taxable by New Mexico.
- You, your spouse, or both are members of an Indian nation, tribe, or pueblo and your income was wholly earned on the lands of the reservation or pueblo of which the individual is an enrolled member while domiciled on that land, reservation, tribe, or pueblo.
- You, your spouse, or both are age 100 or over **and** not a dependent of another taxpayer.
- You, your spouse, or both are age 65 or over or blind, **and** your adjusted gross income is not over \$51,000 for a joint return; \$28,500 for a single taxpayer; or \$25,500 for married taxpayers filing separately.
- You have a New Mexico Medical Care Savings Account.
- You contribute to a New Mexico-approved Section 529 college savings plan.
- You have net capital gains for which you can claim a deduction of up to \$1,000 or 50% of your net capital gain deduction, whichever is greater.
- You have armed forces wages or salary from active duty service.
- You, your spouse, or both are age 65 or over, and you have unreimbursed or uncompensated medical care expenses of \$28,000 or more for yourself, your spouse, or dependents.
- You, your spouse, or dependents have expenses related to donating human organs for transfer to another person.
- You received a reimbursement from the New Mexico National Guard Service Member's Life Insurance Reimbursement Fund.
- You were required to include, in your federal adjusted gross income, taxable refunds, credits, or offsets of state and local income tax (federal Form 1040, line 10).
- You are a non-resident U.S. Public Health Service (USPHS) service member and you received active duty pay.

For more information about calculating the deductions and exemptions, see the View PIT-ADJ instructions link on the 2015 PIT-ADJ (6-22) page. Click on the *Add/Edit PIT-ADJ (6-22)* button to enter your deductions and exemptions.

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16. Medical Care Expense Deduction

If you file a New Mexico PIT-1, you may claim a deduction for medical care expenses paid during the tax year for medical care for you, your spouse, or a dependent. Eligible filers include out-of-state residents with income tax responsibility to New Mexico.

Deduction Amount

To determine the deduction amount to enter, click on the *Enter Medical Expenses* button and enter your unreimbursed and uncompensated medical expenses in the *Medical Care Expenses Worksheet*. The Medical Care Expense Rate is computed of you based on your filing status and your federal adjusted gross income (PIT-1, line 9).

For more information on what expenses may be included and how to compute the deduction, see the instructions for completing line 16, beginning on page 27 of the PIT-1 instructions. <http://realfile.tax.newmexico.gov/2015pit-1-ins.pdf>

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17. New Mexico Taxable Income

Your New Mexico Taxable Income and tax are computed for you based on your selection in line 18a.

If you only have income from New Mexico sources, then select "Rate" from the drop down box on line 18a. Your New Mexico tax is calculated for you using the New Mexico taxable income and applying that amount to the tax rate tables. See the instructions starting on page 1T.

<http://realfile.tax.newmexico.gov/2015pit-1-ins.pdf>

If you have income from sources inside and outside New Mexico, select "Schedule B" from the drop down box on line 18a and click on the button "Add/Edit PIT-B" to calculate your tax.

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19. Additional Amount for Tax on Lump-Sum Distributions

If you received a lump-sum payment and you are using the special federal 10-year tax option on federal Form 4972, you are eligible to use New Mexico's averaging method.

If you did not use the federal averaging methods available on federal Form 4972, you are not eligible to use the New Mexico averaging method.

To calculate your New Mexico averaged tax, Click on the *Enter Distributions* button and enter the amount of lump-sum income received on the *Worksheet for Calculating Tax on Lump-Sum Distributions*.

If You File Schedule PIT-B

If you have income sources inside and outside New Mexico and file PIT-B, on PIT-B, line 3, allocate to New Mexico the part of the lump-sum distribution you received while you were a resident.

If you are a **full-year resident or a resident** because you were physically present in New Mexico for 185 days or more, you must allocate to New Mexico the lump-sum distribution you received during the entire year. If you are a first-year resident or a part-year resident, allocate only the amount of lump-sum distribution you received while a resident of New Mexico.

IMPORTANT: If you used PIT-B to calculate New Mexico tax liability on line 18, and you also used the federal special tax option and New Mexico averaging methods to calculate tax on a lump-sum distribution on line 19, line 19 is not added when completing PIT-1, line 22 as instructed.

You do not need to add PIT-1, line 19 when completing PIT-1, line 22 because the New Mexico part of line 19 (lump-sum distributions) is included in PIT-B, line 14.

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20. Credit for Taxes Paid to Another State

To calculate the credit, complete the worksheet by clicking the *Add/Edit Out of State* button, and attach the income tax return(s) from the other state(s). Complete a worksheet for taxes paid to another state for each state that you wish to claim the credit.

Attachments

To add an attachment, click on the **Add** button, on the left sidebar of your screen, next to "Attachments". The next screen will allow you to upload a document to be submitted with your return. For specific directions, see the Help files, on the sidebar. Click "I Have a Question", then under the **RETURNS/PERMITS** tab, click on Q6.

A **resident** of New Mexico who must pay tax to another state on income that is also taxable in New Mexico may take a credit against New Mexico tax for tax paid to the other state.

IMPORTANT: This credit is for tax that another state imposes on any part of income that by law is included in New Mexico net income. When calculating the allowable credit, do **not** include tax withheld. If the specific item of income is not subject to taxation in both states, no credit is available.

The credit may not be more than:

- The New Mexico tax liability due on your PIT-1,
- The tax you paid to the other state, **and**
- The amount of New Mexico income tax liability calculated on the part of income taxed in both states.

Income on Schedule PIT-B

Income allocated or apportioned outside New Mexico on PIT-B does not qualify for credit for taxes paid to another state on that same income.

“State” means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any political subdivision of a foreign country. “State” does not include the central governments of foreign countries.

Income tax you paid to any municipality, county, or other political subdivision of a state, or to any central government of a foreign country, does not count toward the credit.

IMPORTANT: If you file a Schedule PIT-B, a credit for tax paid to another state is only allowed when you enter income that must be allocated or apportioned to New Mexico in PIT-B, Column 2. Income that is **not** required to be allocated or apportioned to New Mexico does **not** qualify for the credit for taxes paid to another state.

New Mexico Taxpayers with Permanent Home in Other States

Some taxpayers have permanent homes in other states, **and** they are physically present in New Mexico for at least 185 days during the tax year. If you are one of these taxpayers, you must file as a resident of New Mexico.

Allocate your income to New Mexico as a resident on PIT-B. If you qualify, you also may take a credit for taxes paid to your home state on PIT-1, line 20.

For more information on the credit for tax paid to another state, beginning on page 30 of the personal income tax instructions. <http://realfile.tax.newmexico.gov/2015pit-1-ins.pdf>

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21. Business-related income tax credits

Click on the *Add/Edit PIT-CR* button and complete the *PIT-CR, Business-Related Credit Schedule*, if you have any of the following income tax credits to claim. Note: Except for the Electronic card-reading equipment tax credit, all of the credits require pre-approval.

- Affordable housing tax credit
- Angel investment credit
- Agricultural water conservation tax credit
- Advanced energy tax credit
- Agricultural biomass tax credit
- Business facility rehabilitation credit
- Blended biodiesel fuel tax credit
- Cancer clinical trial tax credit
- Electronic card-reading equipment tax credit
- Film Production tax credit

- Geothermal ground-coupled heat pump tax credit
- Job mentorship tax credit
- Land conservation incentives credit
- Preservation of cultural properties credit
- Rural job tax credit
- Rural health care practitioners tax credit
- Solar market development tax credit
- Sustainable building tax credit
- Technology jobs (additional) tax credit
- Technology jobs and research and development (additional) tax credit
- Veteran employment tax credit
- Renewable energy production tax credit

For more information about calculating the deductions and exemptions, see the Information links on the *PIT-CR – Business-Related Credit Schedule* or the 2015 PIT-CR instructions.

<http://realfile.tax.newmexico.gov/2015pit-cr-ins.pdf>

Note: Credits to be applied to the tax due will be reported on PIT-1, line 21, and credits to be refunded will be reported on PIT-1, line 26.

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22. Net New Mexico Income Tax

Your net New Mexico Income Tax is computed for you.

To find your net New Mexico income tax in all cases, except the PIT-B situation described next, do the following:

- Add lines 18 and 19.
- Add lines 20 and 21.
- From the result of step 1, subtract the result of step 2. This amount cannot be less than zero.

Calculation When Using PIT-B and Claiming Additional Amount of Tax on Lum-Sum Distributions

Although PIT-1, line 22 says to add line 19, do not add line 19 if **both** of the following are true:

- For PIT-1, line 18, you used PIT-B to calculate your New Mexico tax liability.
- For PIT-1, line 19, you used the New Mexico averaging method to calculate tax on a lump-sum distribution.

If both are true, your net New Mexico income tax for line 22 is calculated by following these steps:

- Add lines 20 and 21.
- From the amount on line 18, subtract the result of step 1.

In this case, you do not add PIT-1, line 19 when completing PIT-1, line 22. The New Mexico part of line 19 (lump-sum distribution) is already included in PIT-B, line 14.

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