

---

---

**LINE INSTRUCTIONS FOR 2001 PIT-ADJ SCHEDULE  
OF ADDITIONS AND DEDUCTIONS**

---

---

**GENERAL INFORMATION**

New Mexico tax law requires or allows certain adjustments to be made to federal adjusted gross income to determine New Mexico taxable income. Use the 2001 Schedule PIT-ADJ if any of these deductions from, or additions to, federal adjusted gross income apply to your personal situation.

New Mexico tax law provides nine distinct non-refundable credits. Use the 2001 Schedule PIT-ADJ if you are eligible to claim one or more of these credits. *Please note that all non-refundable credits, except the credit for taxes paid to another state by a New Mexico resident, require advance determination of eligibility.*

---

**STEP 1**

**Make sure you have all the necessary records, approvals and certifications you need.**

---

**STEP 2**

**Fill in the 2001 Schedule PIT-ADJ.**

Complete the 2001 Schedule PIT-ADJ using the line instructions that follow. Please note that if NONE of the items on the 2001 Schedule PIT-ADJ applies to you, you do not need to complete the form or attach it to your Form PIT-1.

---

**LINE INSTRUCTIONS**

Enter the social security number from line 1 of the Form PIT-1 in the upper left corner of the 2001 Schedule PIT-ADJ.

**DEDUCTIONS FROM FEDERAL  
ADJUSTED GROSS INCOME  
Lines 1 through 11**

**LINE 1.**

**Tax-Exempt Interest and Dividends.**

Enter the total interest or dividend income you received from obligations of the State of New Mexico or its agencies, institutions, instrumentalities or political subdivisions or obligations of

the Commonwealth of Puerto Rico, Guam, Virgin Islands, American Samoa or Northern Mariana Islands.

**NOTE:** Interest on taxable bonds issued by the State of New Mexico, which is taxable for federal income tax purposes, may be deducted on this line. If the amount on line 1 exceeds the amount on line 12, attach an explanation to your return.

**LINE 2.**

**Net Operating Loss.**

If your federal tax return includes the application of a net operating loss carry-forward amount, or if you have an unused net operating loss carry-forward amount for New Mexico tax purposes, enter the amount of available carry-forward to be applied against New Mexico taxable income for 2001. When calculating taxable income and the application of a net operating loss carry-forward amount, federal rules apply for modifications to exemptions and taxable income. A net operating loss carry-forward must be applied against taxable income before applying your personal and dependents' exemptions amount. Attach a schedule to your return showing the taxable year in which each net operating loss being carried forward occurred, and the amount of each loss applied in each taxable year to which it was carried forward, including 2001. New Mexico does not allow a net operating loss to be carried back.

All net operating losses must flow through from a federal net operating loss. You cannot have a New Mexico net operating loss without first having a federal net operating loss.

**LINE 3.**

**Interest from U.S. Government Obligations.**

Enter the amount of interest income you received from U.S. government obligations (U.S. savings bonds, treasury bills, Federal Home Loan Bank obligations, etc.). This amount includes interest on U.S. obligations as part of your share of income from partnerships,

S corporations, limited liability companies or a distribution from a unit investment or simple trust.

Dividends from mutual funds invested in U.S. government obligations also may be deducted based on the percentage of the total fund invested in U.S. government obligations. The fund is required to provide investors with a statement of the amount of the dividend which represents interest income from investments in U.S. government obligations.

Expenses related to tax-exempt investment income, if deducted in determining federal taxable income, must be added back in determining New Mexico taxable income.

**NOTE:** Interest from the Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), or Federal National Home Loan Mortgage Association (Freddie Mac) is **NOT** deductible as interest on U.S. government obligations.

**LINE 4.**

**Taxable Railroad Retirement Act Annuities and Benefits; Taxable Railroad Unemployment Insurance Act Sick Pay.**

If you deduct taxable Railroad Retirement Act annuities and benefits and taxable sick pay under the Railroad Unemployment Insurance Act, which were included in your federal taxable income, attach Form(s) RRB-1099 and RRB-1099R.

**NOTE:** Because New Mexico is a community property state, married persons filing separate returns may each deduct one-half of an annuity unless all or part of the annuity is separate, non-community property.

**LINE 5.**

**Income of an Indian.**

If you or your spouse, or both, were an enrolled member of an Indian nation, tribe or pueblo, any income earned on the lands of that nation, tribe or pueblo

of which you or your spouse were a member while you resided on those lands is deductible from your New Mexico base income. Military pay of an enrolled member for periods in which the member's home of record is on the lands of the member's Indian nation, tribe or pueblo is exempt. Enter the amount of that income on line 5. Also enter the name of your nation, tribe or pueblo and your tribal or pueblo enrollment or census number in the space provided.

**CAUTION:** Income earned off the lands of your or your spouse's nation, tribe or pueblo is subject to New Mexico income tax regardless of where you reside.

**LINE 6.**  
**Earnings included in qualified distributions received by a beneficiary from the New Mexico Education Trust Fund.**

If you are a beneficiary who received earnings from a distribution (qualified withdrawal) from the New Mexico Education Trust Fund during 2001, the earnings included in your distribution are tax exempt for state tax purposes. You may deduct, only for state tax purposes, the entire amount of the earnings on the distributions you receive.

**LINE 7.**  
**Deduction for Persons 65 or Older or Blind.**

If you are 65 or older, or you are not yet 65 years old but are blind as defined for federal income tax purposes, you may

be eligible for a deduction of up to \$8,000 based on your filing status and federal adjusted gross income (from line 5 of Form PIT-1). From the table below, find the column that corresponds to your filing status and the row that includes your federal adjusted gross income. Read across to the amount in the last column to determine the amount of any deduction available. On a joint return, if both husband and wife were 65 or older or blind at the end of the tax year, the amount shown in the table would apply to each taxpayer. **Make sure** you check the appropriate box on line 7 if you are 65 or older or blind or if your spouse is 65 or older or blind. If you do not check the box(es), your deduction will be denied. Your age is determined as of the last day of the tax year. Proof that you are blind as defined for federal income tax purposes may be requested by the Department, but should not be attached to your return.

**NOTE:** Only one deduction may be taken for a person who is both 65 or over **and** blind.

**EXAMPLE:** If both you and your spouse are age 65 or older, married filing jointly, and your federal adjusted gross income is \$35,000, the deduction amount would be \$12,000 (\$6,000 x 2). Please see the table below.

If you and your spouse are age 65 or older and both are blind, the deduction would be the same \$12,000. Please see the table below.

**EXAMPLE:** If you are married filing

jointly, age 65 or older, your spouse is blind and your adjusted gross income is \$28,000, the deduction amount would be \$16,000 (\$8,000 x 2).

**LINE 8.**  
**Deduction for Adoption of Special Needs Children.**

If you have adopted a special needs child on or after January 1, 1988, you may claim a deduction of \$2,500 (\$1,250 if you are married filing separately) for each such child you can claim as a dependent for federal income tax purposes. In the first year in which the deduction is claimed for a special needs child, attach a copy of the certification issued by the Human Services Department or the licensed child placement agency for each child adopted in that tax year.

**LINE 9.**  
**Deduction for New Mexico Medical Care Savings Account.**

If your employer has established a Medical Care Savings Account on your behalf, and if you claimed no federal deduction, use the worksheet on the next page to calculate the number to enter on line 9 of the 2001 Schedule PIT-ADJ if it was not supplied to you by your employer.

If you have more than one Medical Care Savings Account, or you and your spouse each have a Medical Care Savings Account, combine the amounts on all Forms W-2 to calculate the amount to enter on line 9.

DEDUCTION TABLE FOR PERSONS 65 OR OLDER OR BLIND (See line 6 instructions)						
Married Filing Jointly, Head of Household, Surviving Spouse		Single		Married Filing Separately		Amount for each taxpayer 65 or older, or blind for federal income tax purposes
Adjusted Gross Income Line 5, Form PIT-1		Adjusted Gross Income Line 5, Form PIT-1		Adjusted Gross Income Line 5, Form PIT-1		
Over	But Not Over	Over	But Not Over	Over	But Not Over	
	\$30,000		\$18,000		\$15,000	----- \$ 8,000
\$30,000	33,000	\$18,000	19,500	\$15,000	16,500	----- 7,000
33,000	36,000	19,500	21,000	16,500	18,000	----- 6,000
36,000	39,000	21,000	22,500	18,000	19,500	----- 5,000
39,000	42,000	22,500	24,000	19,500	21,000	----- 4,000
42,000	45,000	24,000	25,500	21,000	22,500	----- 3,000
45,000	48,000	25,500	27,000	22,500	24,000	----- 2,000
48,000	51,000	27,000	28,500	24,000	25,500	----- 1,000
51,000	-----	28,500	-----	25,500	-----	----- 0

Federal Taxable Wages per Form(s) W-2 .....	\$ _____
Less: New Mexico Taxable Wages per Form(s) W-2 .....	\$ _____
Deduction for Medical Care Savings Account (enter on line 8) ..	\$ _____

**LINE 10.  
Deduction for Contributions to a  
New Mexico Education Trust Board  
Account.**

If you are making a contribution on behalf of a beneficiary, you may deduct the amount of your payments for each beneficiary during the taxable year into the New Mexico Education Trust Fund pursuant to a college investment agreement or a prepaid tuition contract.

A husband and wife who file separate returns for the taxable year in which they could have filed a joint return may each claim only one-half the deduction that would have been allowed on the joint return. Individuals allocating and apportioning income on Schedule PIT-B must also allocate and apportion this deduction as directed on Schedule PIT-B instructions.

**LINE 11.  
Net Capital Gains Deduction.**

You may claim a deduction of up to \$1,000 for the net capital gains reported and claimed on your federal tax return.

A husband and wife who file separate returns may each claim only one-half the net capital gains deduction that would have been allowed on a joint return. A taxpayer may not claim the net capital gains deduction if the taxpayer has claimed the credit provided by the Venture Capital Investments Act.

**ADDITIONS TO FEDERAL ADJUSTED  
GROSS INCOME  
Lines 13 through 15.**

**LINE 13.  
Interest and Dividend Income from  
Federal Tax-exempt Bonds.**

Enter the interest or dividend income

**WORKSHEET FOR COMPUTATION OF ALLOWABLE CREDIT FOR  
TAXES PAID TO OTHER STATES BY NEW MEXICO RESIDENTS**

NOTE: Complete a separate worksheet for each state which imposed tax on income also taxed in New Mexico.

Name of State \_\_\_\_\_

1. Enter amount of tax paid to the other state ..... 1. \_\_\_\_\_
2. Enter taxable income on which the tax on line 1 was figured ..... 2. \_\_\_\_\_
3. DIVIDE line 1 by line 2 (this is the average effective tax rate on other state income). Calculate to four decimal places (i.e. 0.0463) ..... 3. \_\_\_\_\_
4. Enter the smaller of line 3 or 0.0550 (5½% maximum) ..... 4. \_\_\_\_\_
5. Enter that portion of income that is subject to tax in both New Mexico and the other state ..... 5. \_\_\_\_\_
6. MULTIPLY line 5 by line 4. This is the credit allowed for tax paid the other state ..... 6. \_\_\_\_\_

Enter the amount from line 6 of this worksheet (or the sum of line 6 amounts from worksheets completed for each state) on line 17 of the 2001 Schedule PIT-ADJ.

you received from all state and municipal bonds which was not included in Federal Adjusted Gross Income. This includes all federally exempt interest reported on line 8b of Forms 1040 or 1040A. Expenses related to tax-exempt investment income, if deducted in determining federal taxable income, must be added back in determining New Mexico taxable income. A deduction for New Mexico tax-exempt interest and dividends is allowed on line 1, PIT-ADJ.

**LINE 14.  
Net Operating Loss.**

Enter the amount of any net operating loss carry-forward from line 21 of federal Form 1040. Enter as a positive amount because this amount is to be added to your income reported on line 6 of the Form PIT-1. See line 2 instructions for this form for additional information on the deduction for a New Mexico net operating loss carryover.

**LINE 15.  
Contributions refunded upon termination of a college investment agreement or a prepaid tuition contract from the New Mexico Education Trust Fund.**

If you are an investor of a college investment agreement or a purchaser of a prepaid tuition contract from the New Mexico Education Trust Board, and you received a refund upon termination of the agreement or contract, you must enter the amount of contributions refunded to you during the taxable year. Do not include earnings that have been refunded to the investor or purchaser, or distributions made to a beneficiary.

**NON-REFUNDABLE CREDITS Lines  
17 through 25.**

**LINE 17.  
Credit for Taxes Paid to Another  
State.**

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 liability for an amount of tax owed to the other state. Use the worksheet on this page. **This credit is based on the tax imposed by the other state on only that portion of income that must also be included in New Mexico net income.** The amount of tax withheld is not a factor in calculating the allowable credit. If the specific item of income is not subject to taxation in both states,

no credit will be allowed. The credit may not exceed the New Mexico tax liability on line 15 of the Form PIT-1 or exceed 5-1/2% of the income taxable in the other state. Attach a copy of the complete income tax return(s) from the other state(s).

Income taxes paid to any municipality, county, or other political subdivision of a state or to any central government of a foreign country cannot be included in the calculation of the credit.

The term "state" includes the District of Columbia, the commonwealth of Puerto Rico and any territory or possession of the United States and states and provinces of foreign countries, but does not include the central governments.

**NOTE:** Effective for retirement income received after December 31, 1995, federal law prohibits any state from imposing an income tax on certain retirement income (primarily pension income) of an individual unless that person is a resident of, or domiciled in, the state imposing the tax. For example, if you receive a pension from your former California employer, but you now reside in New Mexico, California is barred from attempting to impose its income tax on that retirement income. The retirement income is taxable in New Mexico since you are a resident of New Mexico.

**LINE 18.  
Cultural Properties Preservation Credit.**

Attach the Historical Preservation Division Certification form and the Form PIT-4, *Preservation of Cultural Properties Claim*. Calculate the amount of credit available by multiplying the percentage of your share of the preservation project by the approved cost and divide in half. Enter this amount, to a maximum of \$25,000, on line 18. A husband and wife who file separate returns may each claim only one-half the credit that would have been allowed on a joint return.

**LINE 19.  
Qualified Business Facility Rehabilitation Credit.**

A credit is available for portions of the

pre-approved costs of restoration, rehabilitation or renovation of a qualified business facility located in a New Mexico enterprise zone that is suitable for use and is put into service in the manufacturing, distribution or service industry immediately following the restoration, rehabilitation or renovation project. This credit is limited to 50% of the pre-approved costs, not to exceed \$50,000. Attach the completed Form PIT-5, *Qualified Business Facility Rehabilitation* to claim this credit. Contact the State Enterprise Zone Program Director at (505) 827-0300 to obtain the Form PIT-5 and Economic Development Department advance approval and certification for your project. A husband and wife who file separate returns may each claim only one-half the credit that would have been allowed on a joint return.

**LINE 20.  
Credit for Welfare-to-Work Program.**

Certain businesses located in primarily rural counties that qualify for a federal jobs credit may be eligible to claim a credit for participating in the New Mexico Welfare-to-Work Program. This program is administered by the New Mexico Department of Labor. Information regarding eligibility and certification may be obtained by contacting the New Mexico Department of Labor, WOTC Coordinator, P.O. Box 1928, Albuquerque, NM 87103, (505)841-8501. A husband and wife who file separate returns may each claim only one-half the credit that would have been allowed on a joint return.

**LINE 21.  
Venture Capital Investment Credit.**

A credit is available to any taxpayer filing an individual New Mexico income tax return who is invested in a qualified diversifying business and who has a net capital gain for the taxable year determined under the Internal Revenue Code. The gain takes into account only gains or losses from sales or exchanges of qualified diversifying business stock with a holding period of more than five years at the time of the sale or exchange. See Section 7-2D-1 NMSA 1978 for details. The credit may be deducted only from a taxpayer's income tax liability. Any unused credit may be

carried forward only. Attach Form PIT-8.

**LINE 22.  
Job Mentorship Tax Credit.**

A credit is available to any taxpayer filing an individual New Mexico income tax return who is not a dependent of another taxpayer and who is the owner of a New Mexico business. The credit claimed is an amount equal to 50% of gross wages paid to qualified students who are employed by the business during the tax year.

The maximum aggregate credit allowable shall not exceed 50% of the gross wages paid to not more than ten qualified students employed by the business for up to 320 hours of employment for each student.

In no event shall a taxpayer claim a credit in excess of \$12,000 in any taxable year.

A "qualified student" must be at least 14 years of age but not more than 21 years of age, attending full time an accredited New Mexico secondary school and participating in a certified school-to-career program.

Attach Employer/Taxpayer Pilot Program Certificate and PIT-6.

A husband and wife who file separate returns may each claim only one-half the credit that would have been allowed on a joint return.

**LINE 23.  
Rural Job Tax Credit.**

A Rural Job Tax Credit is offered to employers in rural areas of New Mexico who qualify for in-plant training assistance. The employer must have a position(s) that has been occupied by an eligible employee for at least 48 weeks during periods July 1, 2000, through June 30, 2005. The employer must certify the wages paid to each eligible employee to the Department. See the form *Certificate of Eligibility for the Rural Job Tax Credit*, on our website.

The amount of Rural Job Tax Credit is 6-1/4% of the first \$16,000 in wages paid for each qualifying job during a maxi-

mum of four qualifying periods for a tier 1 area, and two qualifying periods for a tier 2 area. The rural area excludes Los Alamos County, Albuquerque, Santa Fe and Las Cruces and a ten-mile zone around these municipalities. A qualifying period is twelve months. A tier 1 area is any part of the rural area not a tier 2 area. A tier 2 area is any municipality in the rural area with a population over 15,000.

The holder of the Rural Job Tax Credit document may apply all or a portion of the Rural Job Tax Credit against the holder's combined state gross receipts, compensating and withholding tax liability, personal income tax liability or corporate income tax liability. When filing your Personal Income Tax return you must indicate what portion of the Rural Job Tax Credit you wish applied to your income tax liability, and you must attach a copy of the *Rural Job Tax Credit Claim Form*, RPD-41243.

Approval of the Rural Job Tax Credit may be obtained by completing the *Application for Rural Job Tax Credit*, RPD-41238, to the Taxation and Revenue Department. Call (505) 827-1746 for further details.

#### **LINE 24. Technology Jobs Tax Credit.**

The Technology Jobs Tax Credit is comprised of a credit of 4% of qualified expenditures made in conducting research. An additional credit is provided at 4% if the taxpayer increases its annual payroll by \$75,000. The increase in payroll must not have been previously used to meet the \$75,000 requirement, and there must be at least a \$75,000 increase in the taxpayer's annual payroll for every \$1 million in qualified expenditures claimed by the taxpayer in a taxable year.

Qualified expenditures are expenditures or a portion of an expenditure at a qualified facility by a taxpayer in connection with research, including expenditures for depletable land and rent paid or incurred for land or improvements. For a complete list of Qualified Expenditures,

refer to the instructions, *Application for Technology Jobs Tax Credit*, RPD-41239.

The holder of the Technology Jobs Tax Credit document may apply all or a portion of the Technology Jobs Tax Credit against the holder's combined state gross receipts, compensating and withholding tax liability. If Additional Credits have been earned, a taxpayer may claim that amount on the taxpayer's personal or corporate income taxes. When claiming the credit against your Personal Income Tax return you must indicate what portion of the Technology Jobs Tax Credit you wish applied to your income tax liability, and you must attach a copy of the *Technology Jobs Tax Credit Claim Form*, RPD-41244.

Approval of the Technology Jobs Tax Credit may be obtained by completing the *Application for Technology Jobs Tax Credit*, RPD-41239, and sending it to the Taxation and Revenue Department. Call (505) 827-1746 for further details.

#### **LINE 25. Credit for Electronic Identification Card Reader.**

Beginning with tax year 2001, a one-time income tax credit is available for businesses that purchase electronic identification card readers. A business may qualify to claim this credit on its New Mexico personal income tax return or corporate income and franchise tax return if:

- 1) the business is licensed to sell cigarettes, tobacco products or alcoholic beverages, and
- 2) the business has purchased and has in use equipment that electronically reads identification cards to verify age.

The amount of the credit is \$300 for each business *location* using electronic identification card readers. A husband and wife filing separate returns may each claim only one-half the allowable credit amount. A partnership or other business association of which the taxpayer is a member may claim a credit only in proportion to the taxpayer's in-

terest in the partnership or association. The total credit claimed by all members of the partnership or association may not exceed three hundred (\$300) dollars for each business location.

This non-refundable credit must be claimed in the taxable year the equipment was purchased and put into use. Excess amounts cannot be carried forward or back into another taxable year.

To claim the credit, complete and notarize Form RPD-41246, *Income Tax Credit for Electronic Identification Card Reader, Purchase and Use Statement*. Enter the amount of credit claimed on Line 25 of Schedule PIT-ADJ and submit the statement and the PIT-ADJ with the 2001 PIT-1 return. When the credit (\$300) is split between spouses, owners, partners, or other business associations, each claimant must indicate the division of the total credit (\$300 per business location) on page 2 of form RPD-41246.

---

#### **STEP 3 Check the figures on your 2001 Schedule PIT-ADJ.**

Make sure your arithmetic is correct. Check that your entry on line 7, if any, is correct for your filing status and federal adjusted gross income amount on line 5 of the Form PIT-1. Confirm that you have limited your credit calculations as required.

---

#### **STEP 4 Transfer the totals on lines 12, 16 and 26 to your Form PIT-1.**

Be careful to correctly transfer the totals from the 2001 Schedule PIT-ADJ to your Form PIT-1. Make sure the social security number on the 2001 Schedule PIT-ADJ is correct and legible.

Attach Schedule PIT-ADJ to Form PIT-1.

Then continue with the line instructions and remaining steps for completing your 2001 Form PIT-1.

**Schedule PIT-ADJ  
must be completed  
and attached to Form PIT-1  
if you are required or eligible  
to make New Mexico  
adjustments to income or  
wish to claim the  
non-refundable credits.**