

INSTRUCTIONS FOR PIT-ES, ESTIMATED INCOME TAX PAYMENT VOUCHER

WHO MUST MAKE ESTIMATED PAYMENTS?

Every individual subject to the Income Tax Act is required to pay estimated individual income tax if the tax shown on the prior year return (or the tax for the current year if no prior year return is filed) exceeds any amount withheld by \$500 or more. If the tax liability for the taxable year is less than \$500, estimated payments are not required.

A New Mexico resident is not required to make estimated payments for 2002 if the 2001 resident return showed zero liability for a full 12-month taxable year.

A first-year resident who had a requirement to file a New Mexico income tax return in 2001 and whose tax shown on the return exceeds any amount withheld by \$500 or more is subject to the estimated payment requirement.

If a first-year resident did not have a requirement to file the previous year's taxes, estimated taxes are not required in the first year of residency.

HOW MUCH ESTIMATED TAX SHOULD BE PAID?

The amount of New Mexico income tax deducted and withheld by an employer is deemed to be a payment of estimated tax. An equal amount of the tax withheld shall be considered as paid on each installment due date unless the taxpayer establishes the dates on which all amounts were actually withheld. This provision may be applied separately to wage and pension withholding and any other amounts withheld under the Withholding Tax Act.

No penalty for underpayment of estimated tax will be assessed if the taxpayer makes the "required annual payment" through withholding and estimated payments on or before the original due date of the return.

The "required annual payment" is the lesser of:

1) 90% of the tax shown on the current year return (or the tax for the year if no

return is filed), OR

2) 100% of the tax shown on the prior year return, provided a return was filed and the prior year was a full 12-month year.

PENALTY FOR UNDERPAYMENT OR NONPAYMENT

Underpayment or nonpayment of estimated tax will be subject to penalty and interest on the difference between the estimated payment made and the amount of estimated tax computed to be due. Penalty and interest accumulates from the due date of the estimated payment until the earlier of:

1) the date the payment is made, or
2) the 15th day of the fourth month following the close of the taxable year.

New Mexico calculates interest at the statutory rate of 15% per year on a daily basis beginning January 1, 2001. Daily interest is .041% of the unpaid tax due for each day the payment is late. The formula for calculating daily interest is:

$$\text{Tax due} \times .00041 \times \text{Number of days late} = \text{interest due.}$$

Penalty accrues at a rate of 2% per month or partial month (maximum 10%) on any amount not paid when due.

No penalty will be imposed if:

1) a resident individual's tax liability for the preceding 12-month taxable year was zero, or
2) payments equal or exceed 90% of the tax shown on the current year return (or the tax for the year if no return is filed), or
3) payments equal or exceed 100% of the tax shown on the prior year return.

No penalty will be imposed on the fourth estimated payment if the taxpayer files a return and pays the full amount due on or before January 31 following the close of the taxable year.

If the balance due is \$500 or more, the Department will first determine if the required annual payment was made. If it was, no penalty or interest will be assessed. If it was not, the Depart-

ment will calculate the underpayment penalty and interest and issue an assessment. There is no New Mexico equivalent to the federal Form 2210 for computing the penalty for underpayment of estimated taxes. The amount of the assessment can be protested and additional information provided if you believe the assessment is in error.

WHEN ARE ESTIMATED PAYMENTS DUE?

Generally, estimated payments are due on or before the 15th day of the fourth, sixth, and ninth months of the tax year and the first month following the tax year. For most calendar-year taxpayers those dates are:

April 15
June 15
September 15
January 15

However, taxpayers with seasonal or erratic income can use a modified annualization procedure to determine the amount and timing of their estimated payments. If a taxpayer does not have annualized income based on actual income received through March 31 sufficient to trigger a required payment, then no payment is required. The test dates for subsequent payments are May 31, August 31 and December 31. Based on actual income received, if a taxpayer is not required to make a payment for a specific period, the taxpayer may have to make up later in the year for not paying the earlier installment.

Exception for Farmers and Ranchers.

The law provides a special rule, identical to the federal rule, for farmers and ranchers who expect to receive **at least** two-thirds of their GROSS income from farming or ranching, or who did receive **at least** two-thirds of their GROSS income from farming or ranching in the prior year. Farmers and ranchers who meet the gross income test may:

1) make one estimated payment on or before January 15, or

2) file and pay in full on or before March 1.

On joint returns the farmer or rancher must consider the spouse's gross income in determining whether the two-thirds-of-gross-income test is met.

If any due date for making an estimated payment falls on a Saturday, Sunday, state or national legal holiday, the estimated payment is filed timely if the postmark bears the date of the next business day. Delivery through a private delivery service is considered timely if the date recorded or marked by the private delivery service is on or before the required mailing date.

INFORMATION AND ASSISTANCE

Taxpayer Information publishes FYI-320, PIT-ES: Personal Income Tax Estimated Payments. You may request this brochure by calling (505) 827-0908. It is also available on the Internet at:

www.state.nm.us/tax

Click on "publications".

STEPS FOR COMPLETING THE PIT-ES

Please read the section *Filing in Your Tax Return* on page 9 of the Form PIT-1 instructions for general information.

STEP 1 Obtain the PIT-ES

Please type or print all entries in blue or black ink. Do not use pencil.

If you did not receive estimated tax forms and instructions with your income tax packet, they are available at local district offices.

Enter your name and social security number, and your spouse's name and social security number if you expect to file a joint return for 2002.

Names and social security numbers should be entered in the same order each time you make an estimated payment.

Enter your address. Check the box if your address has changed from the last estimated payment you made.

STEP 2 Calculate the estimated payment that is required

Using the 2001 tax rate tables, determine how much estimated tax is due for 2002 and the amount of payments made to date, if any, including any 2001 overpayments you choose to have applied to your 2002 estimated tax payments.

STEP 3 Complete the PIT-ES

First, enter the tax year (2002) for which you are making the estimated payment and check the appropriate box for the period to which the estimated payment should be applied. Fiscal-year filers should check the box for the period comparable for a calendar-year filer and clearly indicate the tax year as a fiscal year, e.g. 10/31/02.

Second, enter the amount you are submitting with the PIT-ES. Use whole dollars only. Do not enter or pay cents.

STEP 4 Keep a copy of each PIT-ES that you submit in a safe place so it will be available when you prepare your 2002 personal income tax return.

STEP 5 Using your own envelope, mail your check or money order and the completed PIT-ES.

Make your check or money order payable to **Taxation and Revenue Department**. Write your social security number and "2002 PIT-ES" on the check or money order. *Please DO NOT combine a payment of estimated tax with any other payment.*

**Taxation & Revenue Department
ATTN: 2002 PIT-ES
P.O. Box 8390
Santa Fe, NM 87504-8390**

Reminder:

Write your social security number and "2002 PIT-ES" on the check or money order.