

2016 Calculation of Estimated Corporate Income Tax - Method 4

Penalty and Interest on Underpayment (page 1 of 4)

PURPOSE OF THIS FORM: If you calculate estimated corporate income tax payments using method 4, pursuant to Section 7-2A-9.1 NMSA 1978, and by using method 4, you can reduce the amount of penalty and interest on the underpayment of estimated corporate income tax you owe instead of using the lower of method 1, 2 or 3, complete this form and attach it to your CIT-1 return. For more information on the methods and whether your corporation qualifies to use method 4, see *Determine the amount of your quarterly estimated tax payment and Restrictions on methods of computing the installment payment due*, on page 3 of the instructions. To use method 4, you must also mark the indicator box on line 19a, Form CIT-1, page 2. If you do not need to use method 4, do not attach this form and do not mark line 19a on Form 2016 CIT-1, page 2. The Department will compute any underpayment penalty and interest due, if any, using the lower of method 1, 2 or 3 and issue you an assessment of penalty and interest for underpayment of estimated tax.

Print your company's name	Enter your federal employer identification number
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Section I. Calculate the estimated installment payment due for each quarter using method 4 and calculate the underpayment for each quarter. Using the instructions for this form, complete the schedule below to calculate underpayment of estimated corporate income tax. Complete lines 1 through 8 for each quarter of your tax year.

NOTE: If your corporate income tax less credits for the current taxable year is less than \$5,000, do not file this form. You do not owe quarterly estimated tax.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(a)	(b)	(c)	(d)
1. For each quarter, enter the due date of the quarterly estimated installment tax payment. Use the 4th, 6th, 9th and 12th month of the corporation's tax year.	1.			
2. Enter the New Mexico net taxable income earned in the corresponding quarter. (The portion of CIT-1, line 9, earned in each quarter.)	2.			
3. Enter the net New Mexico corporate income tax due (The portion of CIT-1, line 14) for the corresponding quarter. If less than zero, enter zero.	3.			
4. For each quarter, multiply line 3 by 80% (0.80) and enter here. This is the estimated installment tax payment due.	4.			
5. For each quarter, enter the estimated tax payments made on or before the due date of the installment tax payment. Include payments of tax withheld. See the instructions.	5.			
6. Subtract line 5 from line 4 and enter here. This is the underpayment for the quarter as of the due date of the installment tax payment.	6.			
7. For each quarter, enter any estimated tax payments made after the due date of the installment tax payment.	7.			
8. Add lines 5 and 7 and enter here. This is the total estimated tax paid for the current quarter.	8.			

2016 Calculation of Estimated Corporate Income Tax - Method 4
Penalty and Interest on Underpayment (page 2 of 4)

Section II. List each estimated tax payment made. Complete the list below recording the amount of each estimated tax payment and the postmark date of each estimated tax payment. Include any carryforward from a previous return. In column (c), enter the quarter paid as indicated with the payment. If the payment was a carryforward from the prior-year return, write "carryforward". If the federal employer identification number (FEIN) used at the time of the payment is different from the number on your income tax return, enter the federal employer identification number (FEIN) indicated at the time of payment. The sum of estimated tax payments in Section I, line 8, must equal the estimated tax payments listed below.

(a) Amount of payment	(b) Postmark date	(c) Indicate the quarter paid as reported at the time of the payment or whether the payment is from a carryforward	(d) FEIN (if different)

Section III. Option to have the Department compute the penalty and interest on underpayment of estimated corporate income tax using method 4.

Mark the box if you wish the Department to compute the penalty and interest on underpayment of estimated corporate income tax using method 4. You must submit completed Sections I and II or the Department cannot calculate your penalty and interest using method 4, and you will be assessed penalty and interest based on the lower of methods 1, 2 or 3.

To compute the penalty and interest on underpayment of estimated corporate income tax, continue to the next page.

2016 Calculation of Estimated Corporate Income Tax - Method 4 Penalty and Interest on Underpayment (page 3 of 4)

Section IV: Compute the penalty and interest on underpayment of estimated installment payments. Complete Section IV to calculate the penalty and interest you owe. At the top of the column indicate the quarter (1, 2, 3 or 4) in which an underpayment occurred from Section I, line 6. If you have multiple late payments in one quarter, add extra columns for each payment or part of a payment, that was applied to the quarter. Calculate each late payment for a quarter in a separate column. See the instructions for more information.

	__ Quarter	__ Quarter	__ Quarter	__ Quarter	__ Quarter	__ Quarter	__ Quarter	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
9. Enter the underpayment of estimated tax for the quarter indicated at the top of the column, from Section I, line 6.	9.							
10. Enter the due date of the installment from Section I, line 1.	10.							
11. Enter the date of the payment or the due date of the return, whichever is earlier (see instructions). Include only payments made after the due date of the installment payment, included on line 7, Section I.	11.							
12. Number of days from the due date of the installment (line 10) to the date shown on line 11.	12.							
13. Number of days on line 12, after 4/15/2016 and before 7/1/2016.	13.							
14. Underpayment on line 9 X $\frac{\text{Number of days on line 13}}{366} \times \underline{\quad 4 \quad} \% =$	14.							
15. Number of days on line 12, after 6/30/2016 and before 10/1/2016.	15.							
16. Underpayment on line 9 X $\frac{\text{Number of days on line 15}}{366} \times \underline{\quad 4 \quad} \% =$	16.							
17. Number of days on line 12, after 9/30/2016 and before 1/1/2017.	17.							
18. Underpayment on line 9 X $\frac{\text{Number of days on line 17}}{366} \times \underline{\quad 4 \quad} \% =$	18.							
19. Number of days on line 12, after 12/31/2016 and before 4/1/2017.	19.							
20. Underpayment on line 9 X $\frac{\text{Number of days on line 19}}{365} \times \underline{\quad 4 \quad} \% =$	20.							

(Continue on the next page)

New Mexico Taxation and Revenue Department
**2016 Calculation of Estimated Corporate Income Tax
Penalty and Interest on Underpayment** (page 4 of 4)

Section IV: continued

	__ Quarter	__ Quarter	__ Quarter	__ Quarter	__ Quarter	__ Quarter	__ Quarter	__ Quarter	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
21. Number of days on line 12 after 3/31/2017 and before 7/1/2017.	21.								
22. Underpayment on line 9 X $\frac{\text{Number of days on line 21}}{365}$ X ____ % =	22.								
23. Number of days on line 12, after 6/30/2017 and before 10/1/2017.	23.								
24. Underpayment on line 9 X $\frac{\text{Number of days on line 23}}{365}$ X ____ % =	24.								
25. Number of days on line 12, after 9/30/2017 and before 1/1/2018.	25.								
26. Underpayment on line 9 X $\frac{\text{Number of days on line 25}}{365}$ X ____ % =	26.								
27. Number of days on line 12, after 12/31/2017 and before 3/16/2018.	27.								
28. Underpayment on line 9 X $\frac{\text{Number of days on line 27}}{365}$ X ____ % =	28.								
29. For each column, add lines 14, 16, 18, 20, 22, 24, 26 and 28.	29.								
30. Add columns (a) through (H) of line 29. Enter the total here. This is your total interest on underpayment of estimated income tax.	30.								
31. Penalty. Multiply the underpayment from line 9 by the number of months or partial months that the payment was not made by 0.02, not to exceed 20% of the amount of underpayment. A month begins on the day after the due date of the installment payment and ends on the 15th of each subsequent month.	31.								
32. Total Penalty. Enter the sum of columns (a) through (h) on line 31. This is the total penalty due on underpayment of estimated corporate income tax.	32.								

2016 Calculation of Estimated Corporate Income Tax - Method 4 Penalty and Interest on Underpayment Instructions (page 1 of 3)

WHO MUST FILE - Every corporation subject to the corporate income tax shall pay estimated corporate income tax if its tax after applicable credits is \$5,000 or more in the current tax year. If the taxable liability for the tax year is less than \$5,000, estimated corporate income tax 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.

For a description of methods 1, 2, 3 and 4 for calculating the underpayment penalty and interest, see *Determine the amount of your quarterly estimated tax payment*, on page 3 of these instructions. See also the instructions for Form CIT-ES, *New Mexico Estimated Corporate Income and Franchise Tax Payment Voucher*.

HOW TO COMPLETE THE FORM

Section I: Calculate the estimated installment tax payment due for each quarter using method 4 and calculate the underpayment for each quarter.

Calculating estimated tax using method 4 requires that you compute corporate income tax due, net of any tax credit applied to the tax due, for each quarter of the current taxable year. The amount of the installment tax payment due for each quarter is 80% of the tax due for that quarter. The installment tax payments are due on or before the 15th day of the 4th, 6th, 9th, and 12th month of the tax year.

Requesting the Department to calculate penalty and interest on underpayment of estimated corporate income tax using method 4. If you wish the Department to compute the penalty and interest on underpayment of estimated corporate income tax using method 4, mark the indicator box in Section III, at the bottom of page 2 of Form RPD-41287. Next, complete Sections I and II **only** and submit Form RPD-41287 with your 2015 Corporate Income and Franchise tax return. You must also mark box 19a on Form CIT-1, page 2.

Line 1. For each quarter enter the due date of the quarterly estimated installment tax payment. Enter the 15th day of the 4th, 6th, 9th, and 12th month of the tax year. If the due date falls on a Saturday, Sunday, state or national legal holiday, the due date is the next regular work day. For 2016 calendar-year taxpayers, the due dates

are April 15, 2016, June 15, 2016, September 15, 2016 and December 15, 2016.

Line 2. Enter the New Mexico net taxable income earned in the corresponding quarter. The New Mexico net taxable income for each quarter is the portion of the amount entered on Form CIT-1, line 9, that was earned in the applicable quarter. The amount is the net taxable income earned for the quarter, before applying the New Mexico percentage.

Line 3. For each quarter enter the net New Mexico corporate income tax due for the corresponding fiscal quarter (Form CIT-1, page 2, line 14). If less than zero, enter zero. The corporate income tax due for each quarter is based on the income earned during the fiscal quarter after applying the New Mexico percentage, less allowable credits.

Line 4. To complete line 4 for each quarter, multiply line 3 of the corresponding column by 80% (0.80). This is the estimated installment tax payment due.

Line 5. Record the sum of all timely estimated tax payments made or credited to each quarter, not to exceed the underpayment reported on line 4. Include only payments made on or before the due date of the installment payment. Include any carryforwards from previous tax year returns in the first quarter installment payment. Include overpayments of a prior quarter installment payment that is applied to the current installment payment. Also include tax withheld. Include only timely installment payments made on or before the date the installment payment is due (line 1). Payments made after each quarterly due date for the current quarter are reported on line 7.

How Installment Payments Are Applied

An installment payment of estimated tax is first applied to the quarter as directed by the taxpayer. Any overpayment of an installment payment can be applied to a prior quarter or a later quarter installment payment only when it exceeds the amount due for the quarter indicated on the payment.

Including Tax Withheld

The amount of tax withheld under the Withholding Tax Act [Section 7-3-1 NMSA 1978] or the Oil and Gas Proceeds and Pass-Through Entity Withholding Tax Act [Section 7-3A-1 NMSA 1978] shall be deemed a payment of estimated tax. An equal amount of the tax withheld is deemed paid on each quarterly payment due date unless the taxpayer establishes the dates on which all amounts were

2016 Calculation of Estimated Corporate Income Tax - Method 4 Penalty and Interest on Underpayment Instructions (page 2 of 3)

actually withheld, in which case the amounts withheld shall be deemed payments of estimated tax on the due dates on which the amounts were actually withheld.

Line 6. Calculate any underpayment as of the due date of the installment tax payment for each quarter by subtracting line 5 from line 4.

Line 7. Record the sum of all estimated installment tax payments made against each quarter that was paid after the due date of the installment tax payment.

Line 8. For each column, add the amounts on lines 5 and 7. The total of all columns of line 8 should equal total estimated tax payments made or credited for the 2016 tax year. This amount should also equal the sum of all estimated payments listed in Section II.

Section II: List each estimated tax payment made or credited to tax year 2016. Enter the amount of each estimated tax payment made and the postmark of the payment. If it was a carryforward from a previous tax return, enter "carryforward" in Column (c). Indicate the quarter for which the estimated tax payment was made. Indicate 1, 2, 3 or 4, as originally indicated on the payment voucher. If one or more payments were submitted to the Department under an incorrect federal employer identification number (FEIN), provide the FEIN as originally submitted with the payment.

Section III: Option to have the Department to compute the penalty and interest on underpayment of estimated corporate income tax using method 4. If you wish the Department to compute the penalty and interest on underpayment of estimated corporate income tax using method 4, mark the indicator box in Section III, at the bottom of page 2 of Form RPD-41287. Next, complete Sections I and II **only** and submit Form RPD-41287 with your 2016 Corporate Income and Franchise tax return. You must also mark box 19a on Form CIT-1, page 2. You do not need to complete Section IV.

Section IV: Compute the penalty and interest on underpayment of estimated installment tax payments. Do not complete this section if you wish the Department to compute the penalty and interest on underpayment of estimated corporate income tax. Please mark the indicator box in Section III of this form (RPD-41287) and follow the directions for filing this form.

At the top of the column indicate the quarter (1, 2, 3 or 4) in which an under-

payment occurred from Section I, line 6. If you have multiple late payments in one quarter, add extra columns for each payment or part of a payment, that was applied to the quarter. Calculate each late payment for a quarter in a separate column. **If no underpayment of estimated tax payment is** recorded on line 6, of Section I, for a quarter, you do not need to complete a column for that quarter.

Line 9. Enter the underpaid amount of the estimated installment payment due as of the due date of the installment payment (from Section I, line 6). Do this even if multiple late payments have been made for the quarter listed at the top of the column. If multiple payments were made after the due date of the installment payment, for any quarter, the column for the quarter will need to be repeated. Each late payment for a quarter should be computed in a separate column.

When completing line 9, for subsequent columns for the same quarter, subtract the previous late payment(s) for the quarter from the underpayment for the quarter as of the due date of the installment tax payment. If a late payment for this quarter has not been made, or is paid in one payment, enter the underpayment for the quarter from Section I, line 6.

Line 10. Enter the date the installment payment was due (from Section I, line 1).

Line 11. Enter the date the late installment payment was made or the due date of the return, whichever is earlier. Include only payments made after the due date of the installment payment.

General Instructions for lines 12 through 30, columns (a) through (h).

Lines 13, 15, 17, 19, 21, 23, 25, and 27. Enter the number of days from the beginning of the calculation period to the date the underpayment was paid or the last day of the calculation period, whichever is earlier. The calculation period is defined on the form. For example, line 13, identifies the calculation period as after 04/15/2016 and before 07/01/2016. The calculation periods coincide with the calendar year quarters.

Lines 14, 16, 18, 20, 22, 24, 26 and 28. Calculate interest due during the calculation period. Perform the computation as indicated on the form. If the annual interest rate is blank, then the annual interest rate for the quarter was not announced by the IRS at the time of the last revision of this form. Check the Department website for a current list of the applicable interest rates. The IRS does not announce the

2016 Calculation of Estimated Corporate Income Tax - Method 4 Penalty and Interest on Underpayment Instructions (page 3 of 3)

interest rates until the month prior to the beginning of each quarter.

Line 29. For each column, add lines 14, 16, 18, 20, 22, 24, 26 and 28 and enter the sum in the respective column.

Line 30. Enter the sum of line 29, columns (a) through (d). This is the total interest on underpayment of estimated income tax.

Lines 31 and 32. Compute the penalty on underpayment of estimated installment payments. If you wish the Department to compute the penalty and interest on underpayment of estimated corporate income tax using method 4, mark the indicator box in Section III, at the bottom of page 2 of Form RPD-41287. Next, complete Sections I and II **only** and submit Form RPD-41287 with your 2016 Corporate Income and Franchise tax return. You must also mark box 19a on Form CIT-1, page 2. You do not need to complete Section IV.

Line 31. Multiply the underpayment from the corresponding column, line 9 by the number of months or partial months* within the calculation period that the underpayment was unpaid by 0.02. The calculation period for computing penalty is the period between lines 10 and 11, on page 2 of Form RPD-41287. The formula for computing penalty is:

$$\text{Underpayment} \times \text{number of full/partial months} \times 0.02 =$$

*Compute the number of full/partial months within the calculation period that the underpayment on line 9 remains unpaid. To calculate months or partial months, begin counting on the day after the due date of the estimated installment tax payment. Payments received the day after the due date of the installment tax payment, are paid one partial month late. Add one month for each 15th of the month that passes before the payment is made. Do not count months or partial months after the due date of the return.

Line 32. Enter the sum of line 31, columns (a) through (h). This is the total penalty on underpayment of estimated income tax.

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.