



STATE OF NEW MEXICO  
**Taxation and Revenue Department**  
An Equal Opportunity Employer

**DIVISIONS**

**Office of the Secretary**  
(505) 827-0341  
**Administrative Services**  
(505) 827-0369  
**Audit and Compliance**  
(505) 827-0900  
**Motor Vehicle**  
(505) 827-2296  
**Property Tax**  
(505) 827-0870  
**Revenue Processing**  
(505) 827-0800  
**Tax Fraud Investigations**  
(505) 841-6544

**Susana Martinez**  
*Governor*  
**Demesia Padilla**  
*Secretary*

**GENERAL INFORMATION FOR EMPLOYEES  
CONCERNING NEW MEXICO WITHHOLDING TAX**

New Mexico withholding tax is similar to federal withholding tax. It is based on an estimate of an employee's New Mexico income tax liability and is credited against the employee's actual income tax liability on the New Mexico personal income tax return.

**Who Must Withhold**

Every employer, including employers of some agricultural workers, who withhold a portion of an employee's wages for payment of federal income tax, must withhold New Mexico income tax. There is a limited exception for certain nonresident employees. (See Note 2 below.)

"Employer" means a person doing business in New Mexico or deriving income from New Mexico sources who pays wages to an employee for services performed.

"Employee" means a New Mexico resident who performs services either within or without the state for an employer or a nonresident of New Mexico who performs services within the state or an employer.

"Wages" means remuneration in cash or other form for services performed by an employee for an employer.

**NOTES:**

- 1) Pension and annuity income of a New Mexico resident is subject to income tax in New Mexico, but New Mexico does not require payers to withhold state income tax on pensions and annuities unless the payee requests the payer of their retirement benefits to withhold state tax.
- 2) Employers are not required to withhold New Mexico income tax from wages of nonresident employees working in New Mexico for 15 or fewer days during the calendar year.

3) Persons who are self-employed should not report withholding tax on their wages. Self-employed individuals should make estimated payments using the Form PIT-ES.

For New Mexico residents the employer is required to withhold New Mexico income tax from all wages of the employee regardless of the employee's work location.

For nonresident employees, the employer is required to withhold New Mexico income tax only from wages the employee earns within the state. Refer to above definitions of "employer," "employee" and "wages" to determine if withholding tax is required.

### **Amount to Withhold**

The amount of New Mexico tax withheld on an individual's wages is based on withholding tax tables produced by the New Mexico Taxation and Revenue Department. Employees who wish to verify the amount of New Mexico tax withheld from their wages should review the withholding tables included in publication FYI-104, available online at [http://www.tax.state.nm.us/pubs/withholding\\_taxrates.htm](http://www.tax.state.nm.us/pubs/withholding_taxrates.htm). No withholding is required if the total withholding for an employee during any one month is less than one dollar.

***NOTE: In the case of a married employee who has elected to be withheld at the higher single rate for federal purposes, the single rate for New Mexico State withholding purposes must also be used.***

### **Special Situations**

Generally, if an employee's withholding is correct for federal purposes, it will be correct for state income tax purposes. The following is a list of special situations in which an employee may be correctly withheld for federal purposes but under withheld for state purposes:

1. If the employee claimed the special allowance for head-of-household filing status on Form W-4 Withholding Allowances Worksheet (line E).
2. If the employee increased W-4 allowances to offset expected federal tax credits such as the Child Tax Credit or credits for child or dependent care expenses.
3. If the employee requested that additional amounts be withheld for federal purposes (see federal Form W-4, line 6).

There are also situations where individuals may have income that is subject to federal taxation but exempt for New Mexico. In these situations New Mexico withholding on the exempt income would not be necessary.

Examples of income exempt from New Mexico tax are:

1. Income of a Native American who is a member of a New Mexico federally recognized Indian nation, tribe or pueblo that 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 or pueblo.
2. Income from active duty military service.

### **Additional Withholding Amounts**

Many employees request additional amounts be withheld for federal purposes (see Form W-4, line 6), but very few consider additional withholding for state purposes. The recommended level of additional withholding for state tax purposes is one-quarter (25%) of any additional federal withholding amount.

### **For Further Information**

Employees, who have concerns over the number of withholding allowances they have claimed, may want to review the following publications:

- ❖ Federal Internal Revenue Service Form W-4, *Employee's Withholding Allowance Certificate*. (New Mexico does not have a state form equivalent of the federal W-4 form. Employees should complete a copy of the federal W-4 for New Mexico, writing "For New Mexico State Withholding Only" across the top in prominent letters. Employers should keep the New Mexico W-4 in the employee's personnel file. An employee may choose a different number of allowances for state withholding than for federal withholding. This duplicate W-4 is not mandatory. It is a convenience for employer and employee.)
- ❖ Federal Internal Revenue Service Publication 919, *Is My Withholding Correct?* (Call 1-800-829-3676 to order this publication.)