

New Mexico Taxation and Revenue Department

2009 Calculation of Estimated Personal Income Tax Underpayment Penalty

Print your name (first, middle, last)	Enter your Social Security Number
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HOW TO USE THIS FORM

You need to complete this form only if you have elected to use an alternative method of computing estimated tax due. If you do not elect to use an alternative method, the Department will compute your liability, if any, using the standard method and will send you an assessment for penalty due. Alternative methods of computing estimated tax are described on page 2 of the instructions. If one of the alternative methods for calculation of penalty on underpayment of estimated income tax applies to you, complete this form and attach it to your 2009 New Mexico PIT-1 form. You must also mark the indicator box on line 29 of Form PIT-1. If you do not need to file this form, you may use it to calculate penalty, but *do not* submit this form to the Department. See also Publication FYI-320, *PIT-ES: Personal Income Tax Estimated Payments*, for a complete explanation of calculating estimated personal income tax and how to make estimated personal income tax payments.

NOTE: No penalty is imposed if the difference between line 4 in Column 2 of Section II, and the tax withheld under the provisions of the Withholding Tax Act (Chapter 7, Article 3 NMSA 1978) for the tax year is less than \$500. You do not owe the penalty. Do not file this form. When computing the difference, do not include tax withheld under the provisions of the Oil and Gas Withholding Tax Act (Chapter 7, Article 3A NMSA 1978), reported on line 23, Form 2009 PIT-1.

Section I: Mark the box below that applies to you. Refer to *Alternative Methods* on page 2 of the instructions for further details.

1. I may elect to use an alternative method of computing estimated tax due because (check one):
- My income varied during the year, **and** I was not required to pay estimated personal income tax until after March 31, 2009; (Both statements must be true.)
 - I am a farmer or rancher who expects to receive two-thirds of gross income for 2009 from ranching or farming, or I have received at least two-thirds of my gross income for the previous tax year from farming or ranching; or
 - I wish to compute estimated payments based on the actual dates on which all amounts of withholding tax were withheld for tax year 2009.

Section II: Calculate the required annual payment.

Enter the amounts from the New Mexico personal income tax forms and schedules for the tax year shown at the top of the column. Do not complete the column for 2008 if you did not file a full, 12-month New Mexico PIT-1 return for tax year 2008. **NOTE:** If you are a first-year resident in 2009, you are not required to make estimated payments.

2. For column 1 enter the amount from line 19, Form 2008 PIT-1. For column 2 enter amount of Net New Mexico income tax from line 19, Form 2009 PIT-1.
3. For column 1 enter the amount reported on line 21 Form 2008 PIT-1. For column 2 enter the sum of rebates and credits from line 21, Form 2009 PIT-1.
4. Subtract line 3 from line 2 and enter here. If the difference between the amount on this line, column 2 and the income tax withheld on line 22, Form 2009 PIT-1 is less than \$500, stop here. You do not owe the penalty. Do not file this form. See note under *How to Use this Form*, above.
5. Multiply column 2, line 4, by 90% (0.90) and enter here.
6. Enter the amount of column 1, line 4 in column 2, line 6. If you did not complete column 1, or if column 1, line 4 is a negative number, enter zero.
7. Enter the lesser of lines 5 and 6. **This is your required annual payment.**

	Column 1 (2008)	Column 2 (2009)
2		
3		
4		
5		
6		
7		

New Mexico Taxation and Revenue Department

2009 Calculation of Estimated Personal Income Tax Underpayment Penalty

Section III: Calculate the amount and timing of the required estimated tax payments due:

8. **Standard Method:** If you were required to make estimated tax payments on or before March 31, multiply the required annual payment, line 7, by 25% (0.25). Enter this amount on line 12 in each of the columns in the table below and go to line 11. Skip lines 9 and 10.
9. **Annualized Income Method:** If you did not have income sufficient to require a payment until after March 31, review lines 9a, 9b and 9c and complete line 12 according to the instructions that apply. Then go to line 11. Skip line 10.
 - 9a. If you were required to make estimated tax payments after March 31 but before June 1, multiply the required annual payment, line 7, by 50% and enter on line 12, column (b). Multiply the required annual payment, line 7, by 25% and enter that amount on line 12, columns (c) and (d).
 - 9b. If you were required to make estimated tax payments after May 31 but before September 1, multiply the required annual payment, line 7, by 75% and enter that amount on line 12, column (c). Then multiply the required annual payment, line 7, by 25% and enter that amount on line 12, column (d).
 - 9c. If you were required to make estimated tax payments after August 31, enter 100% of the required annual payment, line 7, on line 12, column (d).
10. **Farmers or Ranchers:** If you are a qualified farmer or rancher, enter 100% of the required annual payment on line 12, column (d) and go to line 11. **NOTE:** Do not file this form, RPD-41272, if a qualified farmer or rancher who files and pays the tax in full on or before March 1 of the year following the tax year of the return. No penalty is due.
11. **Total withholding tax and estimated tax paid.** To complete line 13, divide the tax withheld for the 2009 tax year by four and add an equal amount of tax withheld to the estimated tax paid per payment period. If you elect to compute estimated installment payments based on the actual dates on which all amounts of withholding tax were withheld for the applicable year, enter the total taxes withheld for the quarter in columns (a) through (d), based on the actual date the amounts were withheld. For each column enter the total tax withheld prior to the date above the column if it was a calendar tax year, and the equivalent payment period due date if it was a fiscal year. For columns (b), (c) and (d), do not include amounts withheld and reported in the previous column. Include amounts carried forward from the prior-year personal income tax return in column (a).

Section IV: Calculate the underpayment.

Complete lines 12 and 13 according to the instructions 8 through 11 above. Then continue with line 14. Complete lines 14 through 20 for each column before going on to the next column. Do not complete fields that are shaded.

Installment due dates. For calendar year taxpayers, the due dates of the installments are entered for you. If a fiscal year filer, strike through the dates entered and enter the correct installment due dates. See *WHEN IS EACH INSTALLMENT PAYMENT DUE?* in the instructions.

12. Required estimated payments. See instructions 8 through 10.
13. Estimated tax paid and tax withheld. See instruction 11 to complete this line.
14. Enter amount of overpayment, if any, from line 20 of the previous column.
15. Add lines 13 and 14.
16. Add amounts on lines 18 and 19 of the previous column.
17. Subtract line 16 from line 15. If zero or less, enter zero. For column (a) only, enter the amount from line 13.
18. If the amount on line 17 is zero, subtract line 15 from line 16; otherwise, enter zero.
19. Underpayment. If line 12 is equal to or more than line 17, subtract line 17 from line 12. Then go to line 14 of the next column; otherwise, go to line 20.
20. Overpayment. If line 17 is more than line 12, subtract line 12 from line 17. Then go to line 14 of the next column.

		Installment Due Dates			
		(a)	(b)	(c)	(d)
		4/15/09	6/15/09	9/15/09	1/15/10
12.					
13.					
14.					
15.					
16.					
17.					
18.					
19.					
20.					

New Mexico Taxation and Revenue Department

2009 Calculation of Estimated Personal Income Tax Underpayment Penalty

Check here if you wish the Department to compute the penalty on underpayment of estimated personal income tax that you owe. If you choose to have the Department compute the penalty, you do not need to complete Section V. You must complete Sections I through IV, however, or the Department cannot calculate your penalty using an alternative method of computing estimated tax and you may be assessed based on the standard method. To compute the penalty, continue with Section V.

Section V: Compute the penalty on underpayment of estimated installment payments. Complete this section to calculate the penalty you owe.

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
	(a)	(b)	(c)	(d)
21. Enter the underpayment of estimated tax for the quarter, from line 19, Section IV.	21			
22. Enter the due date of the installment from the table in Section IV.	22			
23. Enter the date the under payment on line 21 was paid or the 15th day of the fourth month after the close of the tax year, whichever is earlier. See HOW INSTALLMENT PAYMENTS ARE APPLIED, in the instructions.	23			
24. Number of days from the due date of the installment (line 22) to the date shown on line 23.	24			
25. Number of days on line 24, after 4/15/2009 and before 7/1/2009.	25			
26. Underpayment on line 21 $\times \frac{\text{Number of days on line 25}}{365} \times 4\% =$	26			
27. Number of days on line 24, after 6/30/2009 and before 10/1/2009.	27			
28. Underpayment on line 21 $\times \frac{\text{Number of days on line 27}}{365} \times 4\% =$	28			
29. Number of days on line 24, after 9/30/2009 and before 1/1/2010.	29			
30. Underpayment on line 21 $\times \frac{\text{Number of days on line 29}}{365} \times 4\% =$	30			
31. Number of days on line 24, after 12/31/2009 and before 4/1/2010.	31			
32. Underpayment on line 21 $\times \frac{\text{Number of days on line 31}}{365} \times 4\% =$	32			
33. Number of days on line 24 after 3/31/2010 and before 4/15/2010.	33			
34. Underpayment on line 21 $\times \frac{\text{Number of days on line 33}}{365} \times 4\% =$	34			
35. For each column, add lines 26, 28, 30, 32 and 34.	35			
36. Add columns (a) through (d) of line 35. Enter the total here. This is your total penalty on underpayment of estimated income tax.			36	

2009 Calculation of Estimated Personal Income Tax Underpayment Penalty

Instructions

WHO MUST MAKE ESTIMATED PAYMENTS?

Every individual who must file a personal income tax return under the Income Tax Act also must pay estimated income tax. The way to do this is through either withholding or estimated tax payments. **There is a penalty for underpayment or nonpayment of estimated tax.**

There is no penalty for underpayment of estimated income tax if:

- You are a first-year resident;
- The tax (net New Mexico income tax less total rebates and credits) shown on your return for the current year, less amounts withheld under the Withholding Tax Act, is under \$500. (Do not include tax withheld pursuant to the Oil and Gas Withholding Tax Act, Sections 7-3A-1 through 7-3A-9 NMSA 1978);
- Your tax liability for the tax year is less than \$500; or
- You are a full-year New Mexico resident whose previous tax year was a 12-month tax year and you owed zero tax for your preceding tax return.

HOW MUCH ESTIMATED TAX SHOULD YOU PAY?

To calculate estimated tax, first determine the "required annual payment" or the total amount of estimated tax to be paid during the tax year.

The **required annual payment** is the lesser of:

- 90% of the tax on the current year's return (or the tax for the year if no return is filed), or
- 100% of the tax on the prior-year return, but only if you filed a return for a full 12-month year.

When you have figured the required annual payment, then determine the amount and timing for each estimated tax installment payment.

WHEN IS EACH INSTALLMENT PAYMENT DUE?

Generally, **four equal installments of the required annual payment** are due on or before the 15th day of the fourth, sixth, and ninth months of the tax year and the first month of the following year. For most calendar-year taxpayers those dates are:

April 15	June 15
September 15	January 15

Sometimes a due date for an estimated payment is a Saturday, Sunday, state or national legal holiday. The estimated payment is timely when the postmark bears the date of the next business day. Delivery by a private delivery service is timely if the date on the delivery service records is on or before the required mailing date.

SPECIAL RULES APPLY TO CERTAIN TAXPAYERS.

There are exceptions to the general rules for determining the timing and amount of each estimated installment payment and for determining receipt of estimated payments.

Each exception is described on page 2 of these instructions. If one of the special rules applies, you may use a special method of calculating penalty on underpayment of estimated income tax by using Form RPD-41272 09, *2009 Calculation of Estimated Personal Income Tax Underpayment Penalty*.

HOW TO REPORT A SPECIAL METHOD OF CALCULATION OF ESTIMATED PERSONAL INCOME TAX UNDERPAYMENT PENALTY.

If you qualify for a special method of calculating estimated personal income tax underpayment penalty, you may reduce your penalty by filing Form RPD-41272 09, *2009 Calculation of Estimated Personal Income Tax Underpayment Penalty* with your PIT-1 return. You must also mark the indicator box on line 29 of Form PIT-1 2009 as instructed below. If you submit an incomplete or inaccurate Form RPD-41272 09, or you do not follow the directions for completing line 29, the Department will determine any estimated personal income tax penalty due based on the standard method.

HOW TO COMPLETE THE INDICATOR BOX ON LINE 29, FORM PIT-1 2009.

If you qualify, you must enter 1, 2, 3, 4 or 5 in the indicator box on line 29 on Form PIT-1, or your estimated personal income tax underpayment penalty will be calculated using the standard method. Enter 1 if you wish to compute estimated payments based on the actual dates on which all amounts of withholding tax were withheld for the applicable tax year. If you have annualized income and are required to file estimated payments beginning with the 2nd, 3rd, or 4th quarter estimated installment due date, enter 2, 3, or 4 respectively. If you qualify for special rules because you are a farmer or rancher, enter 5.

HOW TO COMPLETE THIS FORM.

To calculate estimated tax using this form, first determine the "**required annual payment**" in Section II. When you have figured the required annual payment, determine the amount and timing for each estimated tax installment payment in Sections III and IV. Use Section V to compute the penalty on underpayment of estimated installment payments.

If you wish the Department to calculate the penalty for you, complete Sections I through IV, mark the box on page 3 of Form RPD-41272 09, and follow the instructions for reporting the special calculation method.

HOW INSTALLMENT PAYMENTS ARE APPLIED. A payment of estimated tax is credited against unpaid or underpaid installments in the order in which the installment is required to be paid. Therefore, an underpayment made in one quarter is paid first with the next installment payment made. Section IV, computes the underpayment on line 19, applying each payment first to any balance due on a prior underpaid installment.

New Mexico Taxation and Revenue Department

2009 Calculation of Estimated Personal Income Tax Underpayment Penalty Instructions

HOW TO CALCULATE THE PENALTY FOR UNDERPAYMENT OR NONPAYMENT OF ESTIMATED PERSONAL INCOME TAX.

Underpayment or nonpayment of estimated tax is subject to penalty on the difference between the estimated tax payment and the actual amount of estimated tax due. Penalty accumulates from the due date of the estimated tax payment until the earlier of:

- the date the payment is made, or
- the 15th day of the fourth month following the close of the tax year.

New Mexico calculates penalty (in the form of interest) on underpayment of estimated tax at the annual rate established each quarter for individual income tax purposes under the U.S. Internal Revenue Code (IRC). Penalty is computed on a daily basis for each day the payment is late. The formula for calculating penalty is:

Underpayment due \times $\frac{\text{number of days late}}{\text{total days in the year}}$ \times effective annual interest rate for the quarter

Beginning January 1, 2008, the interest rate is reduced to the annual rate established each quarter for individual income tax purposes under the U.S. Internal Revenue Code (IRC). The IRC rate for each three-month period is announced by the IRS in the last month of the previous quarter. The annual rate for each quarter will be updated as the information is released. The annual and daily interest rates for the each quarter will also be posted on the Department's web site.

No penalty applies to the fourth estimated payment if the taxpayer files a return and pays the entire amount on or before January 31 of the following year.

If the balance due is \$500 or more, the Department first determines if the required annual payment was made in timely installments. If it was not, the Department calculates the underpayment penalty and issues an assessment. If you believe an assessment is in error, you can protest the assessment and provide more information.

NOTE: A special rule applies for computing the underpayment penalty for personal estimated income tax. The interest rate that applies to the 1st quarter following the tax year also applies to the 1st 15 days of the 4th month (April) following the tax year.

HOW TO PAY AN ESTIMATED INSTALLMENT PAYMENT.

To pay through the Internet, visit the Department web site at www.tax.state.nm.us. Click on "E-services". You may pay by electronic check at no charge. An electronic check authorizes the Department to debit your checking account in the amount you specify. You may also make tax payments via credit card. *A convenience fee of 2.49% is required to use this service. The fee reimburses the state for fees charged*

by the credit card company.

To make an estimated installment payment by check, complete Form PIT-ES, *Estimated Income Tax Payment Voucher*. Form PIT-ES and instructions are available on the Department's web site, or you may call (505) 827-0827 or your local district office. Write your social security number and the tax year of the return to which the payment applies on the check or money order. Make the payment payable to New Mexico Taxation and Revenue Department and mail with Form PIT-ES to:

**Taxation and Revenue Department
P.O. Box 8390
Santa Fe, NM 87504-8390**

ALTERNATIVE METHODS for calculation of estimated personal income tax.

Annualized income. Taxpayers with seasonal income can use a modified annualization method 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 require a payment, 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.

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 received **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 in the amount of the "required annual payment" on or before January 15 of the year following the tax year of the return, or
- 2) file and pay in full on or before March 1 of the year following the tax year of the return.

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.

Individuals who wish to compute estimated installment payments based on the actual dates on which all amounts of withholding tax were withheld for the applicable tax year. The New Mexico income tax deducted and withheld by an employer is 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 other amounts withheld under the Withholding Tax Act.