

# INSTRUCTIONS FOR PIT-ES, ESTIMATED INCOME TAX PAYMENT VOUCHER

## 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;
- Your tax for the current year, less amounts withheld, is under \$500;
- 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 that 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. When you have figured the annual payment, then determine the amount and timing for each estimated tax installment.

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.

To determine the required annual payment, calculate 2005 tax as follows:

- 2005 Net New Mexico Income Tax from line 16, Form PIT-1;

### Less:

- Total Rebates and Credits from line 27, Schedule PIT-1-RC.

**NOTE:** The line numbers and the calculation of estimated tax may change from year to year. Refer **ONLY** to Form RPD-41272, *2005 Calculation of Estimated Personal Income Tax Underpay-*

*ment Penalty*, to calculate the underpayment penalty for 2005 if the special rules discussed below apply to you.

## WHAT IS THE AMOUNT OF THE ESTIMATED INSTALLMENT PAYMENTS, AND WHEN ARE THEY 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 the delivery service records is on or before the required mailing date.

**Special rules apply for 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. Special rules apply if:

- Your income varied during the year so that you did not have to pay estimated personal income tax until after March 31 of the tax year;
- You are a farmer or rancher who expects to receive 2/3 of gross income for the tax year from farming or ranching, or who has received at least 2/3 of your gross income for the previous tax year from farming or ranching, or
- You want to compute estimated payments according to the actual dates on which all amounts of withholding tax were withheld for the applicable tax year.

Each exception is described below. If one of the special rules applies to you, you may use a special method of calculating penalty on underpayment of

estimated income tax.

Complete Form RPD-41272, *2005 Calculation of Estimated Personal Income Tax Underpayment Penalty*. Mark the indicator box on line 21 of Form PIT-1 as instructed on Form RPD-41272. Submit it with your PIT-1 return.

If no penalty for underpayment of estimated income tax is due or you owe estimated income tax but you do not qualify for special calculation procedures, you do not need to file Form RPD-41272, but you may use it anyway to calculate your penalty. **Do not** submit the form to the department. Leave the indicator box on line 21 of Form PIT-1 blank.

**Exception for annualized income.** Taxpayers with seasonal income can use a modified annualization method to determine the amount and timing of estimated payments. You do not have to make a payment if your annualized income, based on actual income through March 31, is too small to trigger a required payment.

Test dates for subsequent payments are May 31, August 31 and December 31. You may have to balance your account later in the year if your base income increases and you did not make earlier installments.

**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 2/3** of their GROSS income from farming or ranching, or who received **at least 2/3** of their GROSS income from farming or ranching in the prior year. Farmers and ranchers meeting the gross-income test may:

- 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*
- File and pay in full on or before March 1 of the year following the tax year of the return.

For joint returns the farmer or rancher

must count the spouse's gross income in determining whether the couple meets the two-thirds-of-gross-income test.

**Exception for individuals who estimate installment payments according to the actual dates when all amounts of withholding tax were withheld for the applicable tax year.**

The amount of New Mexico income tax an employer deducts and withholds is a payment of estimated tax. The department considers an equal amount of tax withheld as tax paid on each installment due date unless the taxpayer establishes on Form RPD-41272 the dates on which all amounts were actually withheld. This provision may apply separately to wage and pension withholding and any other amounts withheld under the Withholding Tax Act.

**PENALTY FOR UNDERPAYMENT OR NONPAYMENT**

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 statutory rate of 15% per year computed on a daily basis. The penalty is .041% of the unpaid estimated payment due for each day the payment is late. The formula for calculating daily penalty is:

$$\text{Tax due} \times .00041 \times \text{number of days late} = \text{penalty due.}$$

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

If the balance due is \$500 or more, the department first determines if the required annual payment was made. If it was, there is no penalty. 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:** If line 21 of form PIT-1 shows that a special method of calculating the penalty on underpayment of estimated income tax applies, and you have attached Form RPD-41272, *2005 Calculation of Estimated Personal Income Tax Underpayment Penalty*, to your Form PIT-1, the penalty applies to the information you provide on that form.

**INFORMATION AND ASSISTANCE**

The Tax Information and Policy Office publishes FYI-320, PIT-ES: *Personal Income Tax Estimated Payments*. You may request this publication by e-mailing [pooffice@state.nm.us](mailto:pooffice@state.nm.us). It is also on the Internet at:

[www.state.nm.us/tax](http://www.state.nm.us/tax)

Click on "publications".

**STEPS FOR COMPLETING PIT-ES**

Please read the section *Filling in Your Tax Return* on page 12 of the Form PIT-1 instructions for general information.

**STEP 1  
Obtain the PIT-ES form for the correct tax year.**

Ensure that your PIT-ES form indicates the tax year for which you wish to make an estimated payment. For example, if you are making an estimated payment for your 2005 tax return due in 2006, make certain that your PIT-ES form indicates the 2005 tax year. If you wish to make an estimated payment for a different tax year, obtain the PIT-ES for the correct tax year. See *Contacting the Department* on page 10 of Form PIT-1 Instructions. This packet contains forms for tax years 2005 and 2006.

**Type or print all entries in blue or black ink. Do not use pencil.**

Enter your name and social security number. Enter your spouse's name and

social security number if you expect to file a joint return for 2006. Names and social security numbers should appear in the same order each time you make an estimated payment.

**STEP 2  
Calculate the estimated payment.**

Using the tax rate tables for the applicable tax year, determine how much estimated tax you owe and the amount of payments made to date, if any. Include any prior-year overpayments you choose to apply to the current year's estimated tax payments.

**STEP 3  
Complete the PIT-ES.**

If you are a fiscal-year filer, enter the last day of the tax year. Include the month, day and year; e.g. 10/31/06. All taxpayers check the appropriate box for the quarter to which the estimated payment should be applied. Fiscal-year filers should also check the box for the period comparable to a calendar-year filer.

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. You will need them when you prepare your 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, the tax year and "PIT-ES" on the check or money order. *For proper credit on your account, please DO NOT mix a payment of estimated personal income tax with any other payment!*

**Taxation and Revenue Department  
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