

2001 New Mexico Fiduciary Income Tax Instructions FORM FID-1

GENERAL INFORMATION

IMPORTANT NOTICE

For taxable years beginning on or after January 1, 1997, the fiduciary of certain estates or trusts who anticipates a tax liability that exceeds withholding by \$500 or more is required to make quarterly estimated income tax payments. Detailed instructions are included.

PLEASE READ THE INSTRUCTIONS CAREFULLY. They will answer most questions, save time and may save money. If you have additional questions, write the New Mexico Taxation and Revenue Department, P.O. Box 25127, Santa Fe, New Mexico 87504-5127 or telephone (505) 827-0816.

FIDUCIARIES REQUIRED TO FILE A NEW MEXICO RETURN

Every fiduciary who is required to file a U.S. Fiduciary Income Tax Return (federal Form 1041) except for taxable years beginning on or after January 1, 1994, a fiduciary of a grantor trust who is required to file federal Form 1041 under the provisions of federal regulation 1.671-4(a), must file a *New Mexico Fiduciary Income Tax Return* (FID-1) if:

1. The trust is a "resident" of New Mexico, or
2. The estate is of a decedent who was a resident of New Mexico, or
3. The trust or estate has income from:
 - a. transaction of business in, into or from New Mexico, or
 - b. property in New Mexico, or
 - c. compensation in New Mexico.

A trust is a resident New Mexico trust if the trustee is domiciled in New Mexico or if the principal place from which the trust is managed or administered is in New Mexico.

ATTACHMENTS TO FID-1

NOTE: You must complete and submit all required forms and schedules, including attachments, as indicated in the instructions. Incomplete returns will be returned without processing.

1. Attach federal tax return form 1041, pages 1 and 2.
2. If income is received from sources both within and without New Mexico, complete and attach Form FID-B Schedules 1 and 2.
3. If a credit is claimed for taxes paid to another state, attach a copy of the tax return(s) from the other state(s).
4. Attach Forms W-2, 1099, or W-K if tax was withheld on Form PTE, *New Mexico Income and Information Return For Pass-Through Entities*.

Note: The Department may require any taxpayer to furnish a complete, true and correct copy of the federal fiduciary income tax return, including all attachments and schedules.

WHERE TO GET FORMS, INSTRUCTIONS AND ASSISTANCE

All New Mexico forms are available from any New Mexico Taxation and Revenue Department district office or you may request forms by calling (505) 827-2206 (not a toll-free number). Forms, instructions and several information brochures are also available on the Department's Internet home page. Our address is: <http://www.state.nm.us/tax>

You may receive assistance by calling the Taxation and Revenue Department in Santa Fe at (505) 827-0816 (this is not a toll-free number).

DUE DATE OF THE NEW MEXICO RETURN AND TAXES

For fiduciaries which file on a calendar-year basis, the *New Mexico Fiduciary Income Tax Return*, Form FID-1, is due on or before April 15, 2002, with payment of taxes due.

For fiduciaries which file on a fiscal-year basis, the *New Mexico Fiduciary Income Tax Return*, Form FID-1, is due on or before the 15th day of the fourth month following the close of the fiscal year with payment of taxes due.

A New Mexico income tax return and tax payment are timely if the United States Post Office postmark on the envelope bears a date on or before the due date. If the due date falls on a Saturday, Sunday, state or national legal holiday, the return is 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 due date.

EXTENSION OF TIME TO FILE THE RETURN

New Mexico recognizes extensions of time to file granted by the Internal Revenue Service. Attach a copy of the automatic extension request, federal Forms 8736 or 2758 or approved extension request, federal Form 8800, to your *New Mexico Fiduciary Income Tax Return*, Form FID-1.

If you need an extension of time to file the New Mexico tax return and do not require a federal extension of time to file, a Form RPD-41096, *Extension of Time To File*, must be received by the Taxation and Revenue Department on or before the due date of the return.

If you wish to make a payment of tax when the due date for filing the return has been extended, send a check or money order payable to the Taxation and Revenue Department to the address below. BE SURE to write the trust's federal employer identification number and "2001 FID-1" on the check. Please do not include a partially completed Form FID-1 with your payment.

PAYMENT OF YOUR FIDUCIARY INCOME TAX

Please staple your check or money order (no cash) and the FID-PV to the first page of the return. Make the check payable to the Taxation and Revenue Department. Mail the return, attachments and payment to:

**Taxation and Revenue Department
P.O. Box 25127
Santa Fe, New Mexico 87504-5127**

Please write "2001 FID-1" and the estate or trust's federal employer identification number on your check to avoid a misapplication of funds.

A check that is not paid by the financial institution on which it is drawn does not constitute payment. The trust or estate will be assessed a minimum penalty of \$20 in addition to other applicable penalties and interest.

INTEREST AND PENALTIES

If the fiduciary income tax is not paid when due, the fiduciary is liable for interest at the rate of 15% per year calculated on a daily basis beginning January 1, 2001. Interest accrues even if there is an extension of time to file the return.

Also, if the tax is not paid when due because of negligence or disregard of rules or regulations but without intent to defraud, the fiduciary is liable for a penalty of 2% per month or partial month from the date the return was required to be filed. The penalty cannot exceed 10% of the amount of tax. The penalty does not apply if an extension of time has been approved and if the tax is paid by the extended due date.

A check which is not paid by a financial institution does not constitute payment. A penalty of \$20.00 is assessed in addition to other penalties and interest assessed for late payment.

NET OPERATING LOSSES

If your 2001 federal tax return computation reflects a net operating loss, New Mexico allows the loss to be carried forward only. The loss carry forward is limited to a five-year carry forward from the year in which the return establishing the net operating loss is filed.

CHANGES IN FEDERAL OR NEW MEXICO TAXABLE INCOME DUE TO AN IRS AUDIT OR AN AMENDED RETURN

If the IRS changes the trust or estate's taxable income for any tax year, an amended *New Mexico Fiduciary Income Tax Return* and a copy of the Revenue Agent's Report must be filed with the New Mexico Taxation and Revenue Department within 90 days of the date the federal adjustment becomes final.

If the fiduciary files an amended New Mexico return because an amended federal return was filed, a copy of the federal amended return must be attached. If an amended return is filed because of a change in New Mexico taxable income, a statement giving the reason for amending the return must be attached.

To file an amended *New Mexico Fiduciary Income Tax Return*, use the return form for the year being amended. Check the "amended" box at the top of the form. Payment for the full amount of tax including interest calculated from the date the original return was due and any applicable penalty should be attached.

YOUR RIGHTS UNDER THE TAX LAW

The Tax Administration Act governs how the Income Tax Act is administered by the Department and gives you specific rights and responsibilities.

The best ways to avoid tax problems are to keep accurate tax records and to keep abreast of changes in the tax law. These instructions and other Department publications contain information that can help you do both.

While most tax problems can be resolved informally, it is important for you to understand that certain rights provided to you under law must be exercised within specific time frames. If an adjustment is made to your return, a notice will be sent to you explaining the adjustment with a description of procedures you may use if you disagree with the Department's adjustment.

At any time after filing your return, the return may be subject to further review, verification or correction. If your tax return is adjusted or an assessment of additional tax is issued, you will receive a copy of publication FYI-402, *Taxpayer Remedies*, outlining your rights and obligations and describing in detail how to dispute a Department action through either the claim for refund procedure or the protest procedure. You should read these procedures carefully to ensure you take the necessary steps to protect your rights.

Publication FYI-402 is available by contacting Taxpayer Information at (505) 827-2588. It is also available on the Department's Internet home page at: <http://www.state.nm.us/tax>. Click on "publications".

FID-1, PAGE 1 LINE INSTRUCTIONS

- Round all dollar amounts to the nearest whole dollar.

- Type or print the name of the estate or trust, the name and title of the fiduciary and the address of the fiduciary in the spaces provided.

- Answer questions A through C.

- Enter the federal employer identification number of the estate or trust. Returns will not be processed without this number.

- Check the appropriate reporting period - calendar year or fiscal year. If the return is based on a fiscal year, enter the beginning and ending dates.

- Check the appropriate boxes for type of return.

Line 1. Federal taxable income of the estate or trust. Enter the federal taxable income of the estate or trust from federal Form 1041.

Line 2. Enter additions for New Mexico taxable income from FID-1, page 2, line 3 (federal net operating loss and non-New Mexico municipal bond interest).

Line 4. Enter deductions for New Mexico taxable income from FID-1, page 2, line 7 (New Mexico net operating loss, interest income from U.S. government obligations, and net capital gain deduction).

Line 6. Tax. Using the tax rate table on bottom of FID-1, page 2, calculate and enter the tax on the income reported on line 5.

Line 7. An estate or trust which has income from both within and without New Mexico should complete and file Form FID-B, Schedules 1 and 2. Enter the New Mexico percentage from line 19 of Form FID-B Schedule 1.

Line 8. New Mexico income tax. Multiply line 6 by the percentage on line 7. If FID-B is not required, enter the amount from line 6.

Line 9. If the estate or trust is a resident New Mexico estate or trust which received a lump-sum distribution and used the federal special five-or-ten-year averaging on federal Form 4972, it must complete the worksheet on page 8 of the instructions to compute the New Mexico averaged tax.

Line 11. Non-Refundable Credits:

(1) A resident New Mexico trust or estate which is liable for income tax to another state on income also taxable in New Mexico and included in taxable income on line 5 may take a credit on line 11 against its New Mexico tax liability for an amount of tax imposed by the other state on the portion of income also included in New Mexico taxable income. If the income is not subject to taxation by both states, no credit will be allowed. This credit may not exceed the New Mexico tax liability on line 10; it also may not exceed five and one-half percent (5-1/2%) of the income taxable in the other state. Attach a copy of the completed income tax return(s) from the other state(s). Calculate the credit on the worksheet on page 7.

Do not include in the calculation of the credit those income taxes paid to any municipality, county or other political subdivision of a state or paid to any central government of a foreign country.

(2) **Preservation of Cultural Property Credit:** For property qualifications and requirements, please contact the Historic Preservation Division, Office of Cultural Affairs, 228 East Palace Avenue, Room 320, Santa Fe, New Mexico 87501, telephone (505) 827-6320. To claim this credit attach Form PIT-4 with required documentation.

(3) **Qualified Business Facility Rehabilitation Credit:** For property qualifications and requirements please contact the Assistant Deputy Director, Economic Development Department, 1100 So. St. Francis, Santa Fe, NM 87503, telephone (505) 827-0300. To claim this credit attach Form PIT-5 with required documentation.

(4) **Welfare-to-Work Program Credit:** For eligibility requirements, please contact the New Mexico Department of Labor, WOTC Coordinator, P.O. Box 1928, Albuquerque, NM 87103, telephone (505) 841-8501. To claim this credit attach certification from the Department of Labor.

(5) **Job Mentorship Tax Credit:** For eligibility requirements, please contact the New Mexico Finance and Administration Department, Local Government Division, Bataan Memorial Building, Suite 201, Santa Fe, NM 87503, telephone (505) 841-4945.

For more information on business-related credits, see publication FYI-106, *Claiming Tax Credits for CRS Taxes & Business-Related Income*, or call your local district office.

Line 12. Net Tax can not be less than zero.

Line 13. Enter the amount of 2001 estimated tax payments, withholding of 2001 fiduciary income tax or other payments made for 2001. Check the appropriate boxes for the source(s) of the payment(s). Attach Forms W-2, 1099, or W-K if tax was withheld on Form PTE, *New Mexico Income and Information Return For Pass-Through Entities*. See Instructions for FID-ES, *Fiduciary Estimated Income Tax Payment Voucher*, to determine if 2002 estimated payments will be required.

Line 16. A penalty of 2% per month or partial month, not to exceed 10% of the tax due, shall be added if the fiduciary fails to file timely or to pay when due any amount of tax required to be paid. Calculate this penalty by multiplying 2% times the amount on line 14 times the number of months (including any partial month as a full month) past the due date or extended due date.

Line 17. Interest is added if the amount of net tax on line 14 was not paid by the original due date, without regard to extensions of time to file. The interest rate is 15% per year calculated on a daily basis beginning January 1, 2001.

Signature - The return must be signed by the fiduciary or his authorized representative. In addition, any person or firm, except an employee of the fiduciary, preparing a return for

compensation must sign the return on the line provided, showing the person's address and the date signed. A signature stamp does not constitute a valid signature.

Enter the federal employer identification number of the fiduciary in the space next to the fiduciary's signature. The New Mexico CRS identification number or federal employer identification number of the preparer is to be entered in the space next to the preparer's signature. The social security number of the fiduciary or the preparer should be entered only if the fiduciary or preparer is not in business and does not have a federal employer identification number or a CRS identification number.

FID-1, PAGE 2 LINE INSTRUCTIONS

ADDITIONS TO FEDERAL INCOME FOR FIDUCIARY: NON-DISTRIBUTED SHARES

Line 1. Enter that portion of the federal net operating loss carry forward which has not been distributed to beneficiaries.

Line 2. If you received federally tax-exempt interest or dividend income from municipal obligations, only the income from obligations of the State of New Mexico, its agencies, institutions, instrumentalities or political subdivisions or obligations of the Commonwealth of Puerto Rico, Guam, Virgin Islands, American Samoa or Northern Mariana Islands may be excluded from the New Mexico return. Enter that portion of municipal bond income from sources other than those listed above which has not been distributed to beneficiaries.

DEDUCTIONS FROM FEDERAL INCOME FOR FIDUCIARY: NON-DISTRIBUTED SHARES

Line 4. Enter the New Mexico net operating loss from line 6 of the worksheet on page 5.

Line 5. Interest on obligations of the United States may be deducted only if the interest was included in federal taxable income reported on FID-1, page 1, line 1.

Line 6. Net Capital Gain Deduction. A taxpayer may claim a deduction from net income in an amount equal to the taxpayer's net capital gain income for the taxable year for which the deduction is being reported and claimed on the federal tax return, but not to exceed one thousand dollars (\$1,000). The Net Capital Gain Deduction applies to taxable years beginning on or after January 1, 1999.

DISTRIBUTION SCHEDULE:

Enter the total distributions to beneficiaries during the tax year.

The schedule of beneficiaries receiving distributions during the tax year **MUST** be completed or the return will not be accepted for processing. List the name, address, social security number or federal employer identification number and distributive share for each beneficiary receiving a distribution from the estate or trust during the tax year.

NOTE: The fiduciary should furnish each beneficiary with a statement detailing the amount of income allocable or apportionable to New Mexico for each type of income shown on the federal Schedule K-1. In addition, this statement should show the amount of each beneficiary's share of interest from obligations of the United States government and federally tax-exempt interest distributed from the estate or trust and the portion of such items allocable to New Mexico.

FID-B GENERAL INSTRUCTIONS COMPUTATION OF NEW MEXICO PERCENTAGE AND BUSINESS INCOME APPORTIONMENT FORMULA

FID-B should be used by fiduciaries who are filing returns for trusts or estates having income from activities both within and without New Mexico.

For purposes of these instructions, an **estate** is **DOMICILED IN NEW MEXICO** if the decedent was domiciled in New Mexico. A **trust** is **DOMICILED IN NEW MEXICO** if the trustee is domiciled in New Mexico or if the principal place from which the trust is managed or administered is in New Mexico.

FID-B SCHEDULE 1 GENERAL INSTRUCTIONS FOR COLUMNS 1-4, LINES 1-8

Column 1, Gross: Amounts entered in this column are the same as those from federal Form 1041, except for line 2 and line 6 which include amounts reported on lines 2 and 4 of FID-1.

Column 2, Less Related Expenses/Distributions: Amounts entered in this column include deductions and exclusions from federal Form 1041 which apply to the specific types of income reported in column 1 on lines 1-8. Subtract these deductions from the type of income (lines 1-8) to which they apply. Related expenses in column 2 must include distributions to beneficiaries. If the deduction cannot be applied to a specific type of income, it should be entered on line 12, other deductions.

EXAMPLES:

- Taxes on rental property are deducted from rents and royalties, line 4.
- State income taxes, fiduciary fees, attorney fees and accountant fees are included as other deductions, line 12.
- Charitable deductions arising from a specific type of income such as capital gains are subtracted from profit or loss from the sale or exchange of assets, line 5. If it is a charitable deduction arising from general income, it is subtracted on line 12.
- Income distribution deductions should be subtracted from either dividends, interest or profit or loss from the sale or exchange of assets (capital gains) according to the allocations on federal Form 1041, Schedule K-1. Other taxable income distributions on Schedule K-1 are included in the deductions on line 12. Amounts for depreciation and depletion from Schedule K-1 are subtracted from the type of income to which they apply, lines 3-5 and 7-8.
- Dividend and interest exclusions are subtracted from gross dividends, line 1, and gross interest, line 2.

Column 3, Net: The net amounts entered in this column equal column 1 less column 2.

Column 4, Allocation to New Mexico: Use this column to allocate net income to New Mexico in accordance with the following line instructions.

FORM FID-B SCHEDULE 1 LINE INSTRUCTIONS

Note: If you have a net operating loss or net operating loss carry forward, attach a separate statement identifying the name and operating location of the business or property creating the loss and a complete copy of your federal tax return.

Lines 1 and 2 - Dividends and Interest. Dividend and interest income is allocated in column 4 to New Mexico if the estate or trust is domiciled in New Mexico.

Line 3 - Income from Other Fiduciaries, S Corporations, Partnerships and Limited Liability Entities: An estate or trust which receives income from another estate, trust, or other pass-through entity which allocated and apportioned its New Mexico income must obtain copies of all allocation and apportionment schedules. The income from these sources must be allocated and apportioned in the same way each estate, trust, or other pass-through entity allocated and apportioned its income. Enter the amount of income allocated or apportioned in column 4.

Example: X, a New Mexico trust, reports \$4,000 of net income as its distributed share from a partnership. Since

the partnership allocated and apportioned 50% of its taxable income to New Mexico, the fiduciary will allocate 50% of the \$4,000 amount, or \$2,000, to New Mexico in column 4.

Line 4 - Rents and Royalties. Allocate to New Mexico in column 4 the following rent and royalty income:

- income received from real property in New Mexico,
- income from tangible personal property located or used in New Mexico,
- income from intangibles used in New Mexico.

Trusts or estates that are domiciled in New Mexico and receive income from real property, tangible personal property or intangibles located or used in New Mexico (including rents and royalties from oil and gas interests) must allocate that income to New Mexico in column 4. Intangibles are copyrights, patents, franchises, trademarks and licenses.

In addition to the above, trusts or estates domiciled in New Mexico must allocate income from intangibles and tangible personal property used in another state if the trust or estate is not subject to tax in the other state.

A patent is used in New Mexico to the extent it is employed in production, fabrication, manufacturing or other processing in New Mexico or when a patented product is produced in New Mexico.

A copyright is used in New Mexico when the printing or other production is accomplished in New Mexico.

*Upon request this information is available in various accessible forms. Please contact:
Taxation and Revenue Department, P.O. Box 25127, Santa Fe, NM 87504-5127, (505) 827-0700*

NET OPERATING LOSS WORKSHEET	
CARRY FORWARD COMPUTATION & ADJUSTMENT	
net operating losses available for carry forward <i>-(Do not include capital losses)</i>	
1. Enter the amount of NOL carry forward claimed on the 2001 federal return for years prior to January 1, 1991	1. _____
2. Enter the amount of NOL carry forward claimed on the 2001 federal return for years 1993 through 1999.	2. _____
3. Enter the amount of any 2001 federal NOL	3. _____
4. ADD lines 1, 2 and 3.	4. _____
5. Enter the total of New Mexico base income, U.S. government obligations & non-New Mexico municipal bonds for 1993 through 2000	5. _____
6. Subtract line 5 from line 4. <i>This is the available net operating loss carry forward. (Enter this amount, but not less than zero, as a deduction for New Mexico taxable income on FID-1, page 2)</i>	6. _____
7. Enter the total of New Mexico base income, U.S. government obligations & non New Mexico municipal bonds for 2001.	7. _____
8. SUBTRACT line 7 from line 6. This is the amount of carry forward available for 2002. You must utilize the NOL carry forward amounts in order of oldest tax year.	8. _____

If the fiduciary's records do not reflect the extent to which tangible personal property is used within New Mexico, use the following calculation:

Compute the percentage of time the property was located in New Mexico during the tax year by dividing the number of days the property was physically located in New Mexico during the rental or royalty period by the total number of days the property was physically located everywhere during the rental or royalty period.

Multiply the total rents or royalties received for the taxable year by the percentage calculated above. The result is the amount of rental or royalty income allocable to New Mexico.

If the physical location of the tangible personal property during the rental or royalty period is unknown or unascertainable, enter the amount of rental or royalty income from property delivered to a lessee in New Mexico.

Line 5 - Profit or Loss from the Sale or Exchange of Assets. Allocate to New Mexico in column 4 profits or losses from the sale or exchange of:

- real property in New Mexico,
- tangible personal property located in New Mexico at the time it was sold,
- tangible personal property if the estate or trust is domiciled in New Mexico and the gain was not taxable in the state where the tangible personal property was located,
- intangible personal property if the estate or trust is domiciled in New Mexico.

Line 6 - Net Operating Loss Carryover. Allocate a net operating loss to New Mexico if the situs of the business or farm generating the loss is in New Mexico. If the loss flows through to the estate or trust from other pass-through entities, the loss must be allocated and apportioned in the same way each pass-through entity allocated and apportioned its loss.

Line 7 - Net Business and Farm Income. An estate or trust reporting business and farm income earned solely within New Mexico enters in column 4 the entire amount of net income from column 3. If the business and farm income is from activities within and without New Mexico, complete lines 1-5 on FID-B Schedule 2 to determine the percentage of income apportionable to New Mexico.

The business and farm income apportioned to New Mexico is derived by multiplying the amount of net business and farm income in column 3, line 7, by the average percent from line 5 of FID-B, Schedule 2.

Separate Accounting Method for Business Income. The separate accounting method may *not* be used by any business. Businesses beginning before January 1, 1991, who elected the separate accounting method were required to elect another method for taxable years beginning on or after January 1, 1995.

Line 8 - Other Income. All income received from sources other than those already described is allocated to New Mexico in column 4 if the estate or trust is domiciled in New Mexico. Attach schedule of other income.

If the estate or trust is not domiciled in New Mexico, other income is allocated to New Mexico when it is from transacting business in, into or from New Mexico or when income is received from property in New Mexico or as compensation for services in New Mexico.

Line 9a - Calculate Allocation Percentage for Deduction. Divide line 9 column 4 by line 9 column 3. To complete column 4 for lines 10-12, multiply the amounts in column 3, lines 10, 11 and 12 by the resulting fraction to determine the portion of each deduction applicable to New Mexico income.

Line 10 - Deduction for Exemption. Enter on line 10, column 3 the exemption amount from federal Form 1041. To complete column 4, multiply line 9a by line 10, column 3.

Line 11 - Deduction for Distributions. Enter on line 11, column 3 any deductions for distributions which were not entered on lines 1 through 8 above. To complete column 4, multiply line 9a by line 11, column 3.

Line 12 - Other Deductions. Enter on line 12, column 3 any deductions claimed on the federal Form 1041 which were not entered in column 2 of lines 1 through 8 above. (Refer to the Form FID-B general instructions on page 4, for column 2 instructions.) Attach schedule of other deductions. To complete column 4, multiply line 9a by line 12, column 3.

Line 14 - Taxable Income of the Estate or Trust. Subtract line 13 from line 9 to arrive at the estate's or trust's taxable income. The amount in column 3 should equal the sum of the taxable income of the fiduciary reported on federal Form 1041 and the adjustments from FID-1, page 2, lines 3 and 7.

Line 15 - Deduction for Interest on U. S. Government Obligations and Net Capital Gain Deduction. Enter the sum of interest income from U. S. government obligations deductible by the estate or trust (from FID-1, page 2, line 5), and the net capital gain deduction (from FID-1, page 2, line 6) on line 15 (FID-B, Schedule 1).

Line 17 - Lump-Sum Distributions. Enter the amount of income being taxed using the special five-or-ten-year averaging method for lump-sum distributions on federal Form 4972.

Line 19 - New Mexico Percentage. Divide line 18, column 4 by line 18, column 3. This is the New Mexico percentage of net income. Enter here and on line 7 of FID-1. The percentage can not be less than zero. If you are allocating or apportioning losses out of New Mexico, the percentage may not exceed 100%.

FORM FID-B SCHEDULE 2 LINE INSTRUCTIONS

NOTE: Each time the term "everywhere" is used, it means everywhere within the United States.

Lines 1 through 5 - Determination of Apportionment Factors. The amount of business and farm income apportioned to New Mexico is determined by multiplying the net amount shown on line 7, column 3 of FID-B Schedule 1, by the following fraction if all factors are present:

Divide: The property factor + payroll factor + sales factor
By: 3*

Calculate each percentage to two decimal places (example: 22.46%.)

*If the denominator of one or more of the three factors (property, payroll or sales) is zero (0) or is such an insignificant amount (generally less than 3% of the net income) that its use unreasonably distorts apportionable income, the factor or factors should be excluded. When a factor or factors is excluded, the denominator used to determine the average percent (line 5) should be reduced to indicate the number of factors used.

For tax years beginning on or after January 1, 1995, and before January 1, 2011, qualified manufacturers may elect a different apportionment method where the sales factor is multiplied by 2 and added to the property and payroll factors, and the sum is divided by 4. The election must be made in writing no later than the filing date of the first return to which the election will apply. Generally, the election can not be terminated until the taxpayer has used the method for at least three taxable years, covering at least 36 calendar months. Qualifications to use this method of apportionment are in Section 7-4-10 NMSA 1978.

Qualified manufacturers should make the following adjustments when completing FID-B Schedule 2:

- line 3, sales factor. Divide column 2 by column 1 and multiply the result by 2.

- line 4, average percent. Divide the total percent on line 4 by 4.

Procedures to determine each of the three factors are:

PROPERTY FACTOR

This factor is a percentage determined as follows:

Divide: The average value of the real and tangible personal property owned or rented and used in New Mexico for the production of business or farm income during the tax period.

By: The average value of all real and tangible personal property owned or rented everywhere and used everywhere for the production of business or farm income during the tax period.

Property shall be valued according to the following rules:

- Property owned during the tax period is valued at its original cost.
- Property rented from others and used for business or farm purposes is valued at eight (8) times the net annual rental rate. The net annual rate is the annual rent paid less any annual rent received from subleases of the same property.
- The average value of property is determined by adding the total value of property held by the taxpayer at the beginning of the tax period to the total value of property held at the end of the tax period and dividing by two.
- A fiduciary may be required to compute an average value on a monthly basis if the Department determines that a

WORKSHEET FOR COMPUTATION OF ALLOWABLE CREDIT FOR TAXES PAID TO OTHER STATES BY NEW MEXICO RESIDENT ESTATE OR TRUST

NOTE: Complete a separate worksheet for each other state which imposed tax on income which is also taxed in New Mexico.

Name of state: _____

- | | |
|---|----------|
| 1. Enter amount of tax paid to the other state. | 1. _____ |
| 2. Enter total gross income (see note) on which the tax on line 1 was figured. | 2. _____ |
| 3. DIVIDE line 1 by line 2 (this is the average effective tax rate on total other state income). Calculate to four decimal places - e.g. 0.0463. | 3. _____ |
| 4. Enter the smaller of line 3 or 0.0550 (5-1/2% maximum). | 4. _____ |
| 5. Enter that amount of income that is subject to tax in both New Mexico and the other state. | 5. _____ |
| 6. MULTIPLY line 5 by line 4. This is the credit allowed for tax paid the other state.
Enter the amount from line 6 on this worksheet (or the sum of line 6 amounts from each worksheet completed for each state) on line 11 of your Form FID-1. | 6. _____ |

NOTE: Total income on which the other state's tax was figured means the gross income subject to tax in the other state. *Do not enter* the other state's taxable income on line 2 of this worksheet.

WORKSHEET FOR COMPUTING TAX ON LUMP-SUM DISTRIBUTIONS

- | | | |
|--|----|--|
| 1. New Mexico taxable income from line 5 of the Form FID-1. | 1. | |
| 2. Amount of lump-sum income reported for purposes of five-or-ten-year averaging or capital gains election on federal Form 4972. | 2. | |
| 3. Multiply line 2 by .20 and enter the total | 3. | |
| 4. Add lines 1 and 3. | 4. | |
| 5. Enter the tax from the tax rate tables for the amount entered on line 4. ... | 5. | |
| 6. Enter tax from line 8 of the Form FID-1. | 6. | |
| 7. Subtract line 6 from line 5 and enter the difference | 7. | |
| 8. Multiply the amount on line 7 by 5. (This is the additional averaged tax due on the lump-sum income.) Enter this amount on line 9 of the Form FID-1. | 8. | |

Attach federal Form 4972 to the Form FID-1.

Retain this worksheet for your records

monthly average is necessary to correctly reflect the average value of the property.

PAYROLL FACTOR

This factor is a percentage determined as follows:

Divide: The total amount paid as compensation to employees in New Mexico during the tax period.

By: The total amount paid as compensation to employees everywhere during the tax period.

Compensation was paid in New Mexico if any one of these conditions is present:

- the employee's service was performed entirely inside New Mexico, **or**
- the employee's service was performed both inside and outside New Mexico, but the service performed outside New Mexico was incidental to the service performed inside New Mexico, **or**
- some of the employee's service was performed in New Mexico, **and**
- New Mexico was the base of operations or the place from which the service was directed or controlled, **or**
- the employee who received payment for performing the service was a resident of New Mexico during the taxable period, whether or **not** the service was performed within a state other than New Mexico which was the base of operations or the state from which the service was directed or controlled.

SALES FACTOR

This factor is a percentage determined as follows:

Divide: The total sales in New Mexico during the tax period (excluding nonbusiness income.)

By: The total sales everywhere during the tax period (excluding nonbusiness income.)

“Sales” means all gross receipts from transactions and activity in the regular course of business.

Tangible personal property is sold in New Mexico when any of the following applies:

- the property was delivered or shipped to a purchaser other than the U.S. government within New Mexico (regardless of the F.O.B. point or other conditions of the sale), **or**
- the property was shipped from an office, store, warehouse, factory or other place of storage within New Mexico, **and**
- the purchaser was the U.S. government, **or**
- the business was not subject to income tax in the state where the property was sold.

Sales other than sales of tangible personal property are made in New Mexico if:

- the income-producing activity was performed in New Mexico, **or**
- the income-producing activity was performed both inside and outside New Mexico, but a greater proportion was performed inside New Mexico than in any other single state.

(The proportion shall be determined by the cost of performance in each state.), **or**

- the gross receipts were from the rental, lease, licensing or any other use of either real or tangible personal property during the time the property was in New Mexico, **or**
- the gross receipts were from the performance of personal services in New Mexico.

PETITION PROCEDURE OPEN TO TAXPAYER

If the above procedures for allocation and apportionment do not fairly represent the extent of the taxpayers's business activity in New Mexico, the fiduciary may petition for, or the Department may require use of one of the methods below:

- use of apportionment excluding one or more of the above factors **or**
- use of any other method necessary to bring about a fair apportionment of the business income.

FORM FID-1 FILING CHECKLIST

- Are name(s) and address complete, correct and legible?
- Is the federal employer identification number legible, accurate and entered where indicated on the form?
- Are W-2, 1099, or W-K forms attached if tax was withheld?
- Is distribution schedule on page 2 of the FID-1 form complete?
- If required, is Form FID-B included?
- Is a copy of the federal Form 1041 pages 1 and 2 attached?
- Is the return properly signed and dated?
- Is a contact telephone number included on the bottom of this form?
- Did you make a copy of ALL documents for your records?

Note: You must complete and submit all required forms, schedules and attachments as indicated on page 1 the instructions. Incomplete returns may be returned without processing.

INSTRUCTIONS FOR FID-ES ESTIMATED FIDUCIARY INCOME TAX PAYMENT VOUCHER

WHO MUST MAKE ESTIMATED PAYMENTS?

Certain trusts and estates subject to the Income Tax Act must pay estimated fiduciary 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.

Any trust subject to the tax imposed by Section 511 of the Internal Revenue Code or that is a private foundation is **NOT** required to make estimated payments. With respect to any taxable year ending before the date two years after the date of the decedent's death, **NO** estimated payments are required of the estate of the decedent or of any trust all of which was treated under Subpart E of Part I of Subchapter J of Chapter 1 of the Internal Revenue Code as owned by the decedent and to which the residue of the decedent's estate will pass under the decedent's will.

HOW MUCH ESTIMATED TAX SHOULD BE PAID?

The amount of 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 any other amounts withheld under the Withholding Tax Act.

No penalty for underpayment of estimated tax applies 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 is subject to penalty and interest on the difference between the estimated payment and the amount of estimated tax due. Penalty and interest accumulate 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.

Interest accumulates at the statutory rate of 15% per year,

calculated on a daily basis beginning January 1, 2001. Daily interest is .041% of the unpaid tax for each day the payment is late. The formula for calculating daily interest is:

Tax due x .00041 x number of days late = interest.

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

No penalty is imposed if:

- 1) a resident trust or estate'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, provided a return was filed and the prior year was a full, 12-month year.

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

If the balance is \$500 or more, the Department first determines if the required annual payment was made. If it was, no penalty is assessed. If it was not, the Department calculates the underpayment penalty and interest and issues 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	September 15
June 15	January 15

Taxpayers with seasonal or erratic income may 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.

If a 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 timely if the date recorded or marked by the private delivery service is on or before the required mailing date.

COMPLETING THE FID-ES FORM - Please type or print all entries in blue or black ink. Do not use pencil. Enter the taxable year end for which you are making the estimated payment, e.g. 12/31/02. Please check the appropriate box for the period to which the estimated payment applies. If the trust or estate is a fiscal-year filer, check the box for the appropriate comparable period. For example, if the trust has a September 30 year end, the first estimated payment is due on the fifteenth day of the fourth month or January 15. The comparable payment date for a calendar-year trust or estate is 1st quarter, April 15, so mark that box. Enter the identifying information for the trust or estate where indicated. Enter the amount of payment remitted with the FID-ES Form.

WHERE TO FILE - Mail the completed FID-ES Form and estimated payment (check or money order) to:

**Taxation and Revenue Department
Attn: 2002 FID-ES
P.O. Box 25127
Santa Fe, NM 87504-5127.**

Please write the federal identification number of the trust or estate and "2002 FID-ES" on the check or money order made payable to New Mexico Taxation and Revenue Department. Please do not mail cash. Please DO NOT combine a payment of estimated tax with any other payment.

Reminder:

Write the federal employer identification number of the trust or estate and "2002 FID-ES" on the check or money order.