

Guidance on PIT-1, Line 10 Add-Back of State and Local Taxes (2018 Tax Year)

Taxpayers Affected by This Bulletin

The guidance in this Bulletin is only applicable to taxpayers filing their 2018 New Mexico Personal Income Tax Return who itemized their deductions on their federal return, not those who took the standard deduction.

Requirement to Add-Back State and Local Taxes and Current Instructions

Section 7-2-2(N)(2) NMSA 1978 includes the amount of state and local income taxes included in the taxpayer's itemized deductions in the definition of "net income" for New Mexico personal income tax purposes. This requires taxpayers who itemized on their federal return to add-back for state tax purposes the amount of state and local income taxes that they were allowed to deduct on their federal return. The New Mexico Personal Income Tax (PIT) Form Packet includes instructions and a worksheet on page 22 to assist taxpayers in how to calculate the add-back amount that goes on line 10 of the PIT-1. This worksheet does not result in the correct add-back amount for the 2018 tax year due to changes made by the Federal Tax Cuts and Jobs Act of 2017 (TCJA), and may result in adding back more state and local taxes than a taxpayer was able to include in their itemized deductions.

New Worksheet for Determining Add-Back Amount

The PIT Form Packet on our website has been revised to remove the outdated worksheet. Instead, the worksheet on the next page of this Bulletin should be used to calculate the correct amount for line 10. Our Taxpayer Access Point (TAP) online filing has also been changed to make the correct calculation using this new worksheet.

Affected Taxpayers Who Have Already Filed

Taxpayers who have already filed and found that their add-back amount was adversely affected by the current instructions have the option of filing an amended return using the new worksheet. Filing of an amended return is available on TAP, <https://tap.state.nm.us/>, which is always a free place to file. The PIT-X form may also be used to file an amended return.

Questions

If you have questions about this issue not answered by this Bulletin, please contact our call center at 1-866-285-2996.

New Mexico Taxation and Revenue Department
P.O. Box 630
Santa Fe, NM 87504-0630

PIT-1, Line 10 Worksheet

1. Enter the amount of state and local income taxes on federal Form 1040, Schedule A, line 5a.	
2. Enter the total amount of state and local taxes on federal Form 1040, Schedule A, line 5d.	
3. Divide line 1 by line 2. Round to 4 decimal places.	
4. Enter the amount of state and local taxes claimed on federal Form 1040, Schedule A, line 5e.	
5. Multiply line 4 by line 3.	
6. Enter the lesser of line 4 and line 5. If they are the same, enter that number here.	
7. Enter the standard deduction amount you could have claimed on federal Form 1040, line 8, if you had not itemized your federal allowable deductions.	
8. Enter your total itemized deductions from federal Form 1040, line 8. Also enter this amount on PIT-1, line 12, and mark the box on line 12a.	
9. Subtract line 7 from line 8. If less than zero, enter 0.	
10. Enter the lesser of lines 6 and 9. Also enter this amount on PIT-1, line 10.	

Visit the Department's web site at <http://www.tax.newmexico.gov> for forms and instructions.

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General Information. FYIs and Bulletins present general information with a minimum of technical language. All FYIs and Bulletins may be obtained without charge from all local tax offices, the Tax Information and Policy Office in Santa Fe and the Department's Internet site.

This information is as accurate as possible at time of publication. Subsequent legislation, new state regulations and case law may affect its accuracy. For the latest information please check the Taxation and Revenue Department's web site at www.tax.newmexico.gov.

This publication provides instructions or general information to the taxpayer. It does not constitute a regulation or ruling as defined under Section 7-1-60, *New Mexico Statutes Annotated*, 1978. Taxpayers and preparers are responsible for being aware of New Mexico tax laws and rules. Consult the Department directly if you have questions or concerns about information provided in this Bulletin.