

## INSTRUCTIONS FOR 2023 PIT-ADJ SCHEDULE OF ADDITIONS, DEDUCTIONS, AND EXEMPTIONS

### General Information

If either of the following apply to you, complete PIT-ADJ:

- You are required to make certain additions to your federal adjusted gross income.
- You are eligible to take certain deductions and exemptions from your federal adjusted gross income.

The PIT-ADJ is required for you to claim certain additions, deductions, or exemptions. This schedule shows your total additions (line 6) and your total deductions and exemptions (line 27).

Enter these totals on your PIT-1 Return to calculate your New Mexico taxable income. After completing PIT-ADJ, attach it to your PIT-1 Return.

If the additions, deductions, or exemptions on this schedule do not apply to you, **DO NOT** complete this schedule and do not attach it to the PIT-1 return.

**IMPORTANT:** Do not add any amounts to Schedule PIT-ADJ that are not listed on this schedule. If an item is not listed, it is not a valid New Mexico addition, exemption, or deduction for this schedule. Do not submit a statement instead of this schedule. The Taxation and Revenue Department does not accept statements instead of the Schedule PIT-ADJ.

### Additions to Federal Adjusted Gross Income (Lines 1–5)

You are required to report the following additions to your federal adjusted gross income on Schedule PIT-ADJ:

- **Line 1.** Interest and dividends from federal tax-exempt bonds.
- **Line 2.** A federal net operating loss carryover. A positive number is required on this line.
- **Line 3.** Contributions refunded when closing, or certain contributions rolled out of, a New Mexico-approved Section 529 college savings plan account.
- **Line 4.** A charitable deduction claimed on federal Schedule A Line 12, for a donation of land to private non-profit or public conservation agencies for conservation purposes from which you were allowed the New Mexico land conservation tax credit.
- **Line 5.** Amount of tax paid by a Pass-Through Entity on distributed net income.

Each addition is described in detail later in these instructions.

### Deductions and Exemptions from Federal Adjusted Gross Income (Lines 7–26)

Use PIT-ADJ to claim the following deductions and exemptions:

- **Line 7.** New Mexico tax-exempt interest and dividend in-

come.

- **Line 8.** A New Mexico net operating loss carryforward. Must attach form RPD-41369.
- **Line 9.** Interest on U.S. government obligations.
- **Line 10.** Railroad retirement income or Railroad Unemployment Insurance Act sick pay not taxable by New Mexico.
- **Line 11.** You, your spouse, or both are members of a New Mexico federally recognized Indian nation, tribe, or pueblo, and the income of the member was earned within the boundaries of the Indian member's or the spouse's reservation or pueblo grant or within the boundaries of land defined as "Indian country" of which one of you are a member while domiciled within the boundaries of the reservation or pueblo grant or within the boundaries of land defined as "Indian country". If either you or your spouse are not a member of an Indian nation, tribe, or pueblo, the income of the non-member is taxable even when earned within the boundaries of a reservation or pueblo grant or within the boundaries of land defined as "Indian country".
- **Line 11a and 11b.** Please enter the name of the New Mexico Federally recognized Indian nation, tribe or pueblo of which you or your spouse is a member.
- **Line 12.** You, your spouse, or both are age 100 or over, and not dependents of another taxpayer.
- **Line 13.** You, your spouse, or both are age 65 or over or blind, and adjusted gross income is not over \$51,000 for a joint return; \$28,500 for a single taxpayer; or \$25,500 for married taxpayers filing separately.
- **Line 14.** Federally taxable contributions to or distributions from a New Mexico Medical Care Savings Account.
- **Line 15.** Contributions to a New Mexico-approved Section 529 college savings plan.
- **Line 16.** Net capital gains deduction.
- **Line 17.** Active duty pay for United States armed forces.
- **Line 18.** You, your spouse, or both are age 65 or over, and claiming unreimbursed or uncompensated medical care expenses of \$28,000 or more for yourself, your spouse, or dependents.
- **Line 19.** Expenses that you, your spouse, or dependant have related to donating human organs to another person.
- **Line 20.** Reimbursement from the New Mexico National Guard Service Member's Life Insurance Reimbursement Fund.
- **Line 21.** Taxable refunds, credits, or offsets of state and local income taxes included in your federal adjusted gross income (federal Schedule 1, line 1).
- **Line 22.** Active duty pay of a non-resident U.S. Public Health Service (USPHS) member earned in New Mexico.
- **Line 23.** Liquor license lessor deduction.
- **Line 24.** Armed forces retirement pay.
- **Line 25.** Social Security Income.

- **Line 26.** Deduction for expenses related to a New Mexico licensed cannabis business.

Each deduction and exemption is described in detail later in these instructions.

## Preparing Your Schedule PIT-ADJ

Complete your PIT-1 and then follow these steps to prepare and complete Schedule PIT-ADJ.

1. In the PIT-1 instructions, page 20, read *Important Guidelines*. This section gives helpful guidelines for completing schedules and forms.
2. Make sure you have all necessary records, approvals, and certifications for the PIT-ADJ.
3. On the 2023 Schedule PIT-ADJ, enter the primary taxpayer's name and social security number from lines 1a and 1b of your PIT-1 return. Make sure the name and number are correct and readable.
4. Using the detailed instructions for each line on the next pages, complete the 2023 Schedule PIT-ADJ.
5. Double-check the figures on your 2023 Schedule PIT-ADJ. Be sure your arithmetic is correct and make sure all entries are complete and correct.
6. If line 11 is applicable, make sure you correctly marked the boxes.
7. Transfer the total on line 6 of this schedule to PIT-1, line 11.
8. Transfer the total on line 27 of this schedule to PIT-1, line 15.
9. Attach your completed PIT-ADJ, along with any other required attachments to your PIT-1 return. For other possible attachments, look for **Attach** headings in the instructions for lines 7, 8, 10, 12, 18, and 20.

## Detailed Instructions For Each Line

### Additions To Federal Adjusted Gross Income

#### **LINE 1. Interest and dividend income from federal tax-exempt bonds**

Enter your interest and dividend income from all state and municipal bonds excluded from your federal adjusted gross income. This includes all federally tax-exempt interest and dividends reported on federal Form 1040 or 1040SR from state and municipal obligations.

**NOTE:** Use line 7 of PIT-ADJ to claim the deduction for interest and dividends of obligations exempt from New Mexico taxable income.

#### **LINE 2. Federal net operating loss carryover**

**A positive number is required on this line.** From federal Schedule 1, line 8 (**Other income**), enter the amount of any federal net operating loss carryforward or carryback.

By making this entry, you are adding the federal net operating loss taken on your federal return to the income you reported on PIT-1, line 9.

The rules for applying a net operating loss deduction to New Mexico taxable income are different from federal rules.

To compute the New Mexico net operating loss carryforward, see line 8 later in these instructions.

#### **LINE 3. Contributions refunded when closing a New Mexico-approved Section 529 college savings plan account and certain contributions rolled out of a New Mexico-approved Section 529 college savings plan account**

Enter the amount of qualified contributions refunded to you or rolled over during the tax year from a New Mexico-approved Section 529 college savings plan account only if the contributions were deducted on an earlier New Mexico personal income tax return and if any of the following are true:

- You closed a New Mexico-approved Section 529 college savings plan account, and received a refund of the contributions. In this case, enter the amount of contributions refunded.
- You rolled over contributions from a New Mexico-approved Section 529 college savings plan account to a non-New Mexico-approved Section 529 college savings plan account. In this case, enter the amount of those contributions.

Do not include:

- Earnings refunded to the investor.
- Earnings rolled over from a New Mexico-approved Section 529 college savings plan account to a non-New Mexico-approved Section 529 college savings plan.
- Qualified distributions from the Section 529 college savings plan account.

For more information, see Quick Guide 6, *New Mexico Income Tax and Your Education Trust (529) Plan* on the Department's website.

#### **LINE 4. Charitable deduction amount claimed on federal Schedule A, Line 12, for a donation of land to private non-profit or public conservation agencies for conservation purposes from which you were allowed the New Mexico Land Conservation Tax Credit**

If **both** of the following are true, you must add back the charitable deduction amount included in the itemized deductions claimed on your federal Schedule A:

- You donated land to private nonprofit or public conservation agencies for conservation purposes from which you claimed a New Mexico **land conservation incentives tax credit**.
- You claimed a charitable deduction for the same contribution in the federal itemized deductions on your federal personal income tax return.

If both are true, enter the charitable deduction amount claimed on federal Schedule A, from which you were allowed the New Mexico land conservation tax credit.

#### **LINE 5. Amount of tax paid by a Pass-Through-Entity**

**on distributed net income** Enter the amount of tax paid by a Pass-Through-Entity on distributed net income.

**Deductions And Exemptions From Federal Adjusted Gross Income**

**LINE 7. New Mexico tax-exempt interest and dividends**

Enter the total interest or dividend income you received from the following investments:

- State and local bonds exempt from New Mexico taxable income, including the State of New Mexico or its agencies, institutions, instrumentalities, or political subdivisions;
- Obligations of the Commonwealth of Puerto Rico, Guam, Virgin Islands, American Samoa, or Northern Mariana Islands;
- Federally taxable bonds issued by the State of New Mexico; **and**
- Mutual funds, unit investment trusts, or simple trusts invested in obligations of the State of New Mexico or its agencies, institutions, instrumentalities, or political subdivisions, or from the Commonwealth of Puerto Rico, Guam, Virgin Islands, American Samoa, or Northern Mariana Islands.

You may deduct only the amount shown on the annual statement provided by the mutual fund, unit investment trust, or simple trust as flowing through to the investor from this investment income.

**NOTE:** You may not deduct interest and dividends from IRAs. IRAs invested in obligations of the State of New Mexico or its agencies, institutions, instrumentalities, or political subdivisions, or from the Commonwealth of Puerto Rico, Guam, Virgin Islands, American Samoa, or Northern Mariana Islands do not qualify as a simple trust.

**Attach An Explanation**

If the amount on line 7 is more than the amount on line 1, attach an explanation to your return.

**LINE 8. New Mexico net operating loss carryforward**

If you have an unused New Mexico net operating loss carryforward from a previous year, enter the carryforward amount to apply against New Mexico taxable income for 2023.

All New Mexico net operating losses must flow from a federal net operating loss. You cannot have a New Mexico net operating loss without a federal net operating loss.

Unlike a federal net operating loss carryforward, a New Mexico net operating loss incurred cannot be carried back and if incurred on or after January 1, 2013, may be carried forward for 19 years or until the total amount of the loss carryover has been used, whichever occurs first. For a net operating loss that was incurred in tax years beginning before January 1, 2013, a New Mexico net operating loss may be carried forward for only five years. Refer to regulation 3.3.1.13(E) NMAC 1978, if the net operating loss was incurred in a tax

year beginning prior to January 1, 1991.

The first year you can apply a New Mexico net operating loss is:

- If you filed your return on time, you can apply it the following tax year, **or**
- You can apply it the first tax year that begins after the date you file a return establishing the loss.

**Calculation**

To calculate the carryforward amount from a New Mexico net operating loss recognized in a previous year, follow these steps:

1. Add the next two amounts.
  - The federal net operating loss as defined by Section 172(c) of the Internal Revenue Service for the tax year of the loss.
  - Any interest received on U.S. government obligations less related expenses reported on your New Mexico tax return for the tax year of the loss.
2. From the total in step 1, subtract any loss used in earlier tax years.

**Attach Form RPD-41369**

To show the tax year when each New Mexico net operating loss occurred and how the loss was used for each tax year, for which the loss was carried forward, attach to your return Form RPD-41369, *Net Operating Loss Carryforward Schedule*.

**LINE 9. Interest received on U.S. government obligations**

Enter the interest you received from U.S. government obligations, including any of the following:

- U.S. savings bonds
- Treasury bills
- Notes issued by the Federal Home Loan Banks (do not include dividends)
- U.S. government obligations from your share of income from partnerships, S corporations, or limited liability companies, or a distribution from a unit investment or simple trust

**Deduct Dividends**

You may deduct dividends from mutual funds invested in U.S. government obligations according to the percentage of the total fund invested in U.S. government obligations.

To deduct these dividends, the fund must give investors statements showing the amount of interest income from investments in U.S. government obligations.

**Do Not Deduct As Interest**

Interest from the Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), or Federal National Home Loan Mortgage Association (Freddie Mac), is not deductible as interest on U.S. government obligations.

**LINE 10. Taxable Railroad Retirement Act annuities and**

**benefits, and taxable Railroad Unemployment Insurance Act sick pay**

If your taxable Railroad Retirement Act annuities and benefits, or your taxable Railroad Unemployment Insurance Act sick pay were part of your federal taxable income, enter the total of those amounts.

**Attach Forms RRB-1099 and RRB-1099-R**

You may receive one or both of these forms from the Railroad Retirement Board. Attach the form(s) you receive to your return.

**LINES 11, 11a, and 11b. Income of a member of a New Mexico federally-recognized Indian nation, tribe, or pueblo that was earned within the boundaries of the reservation or pueblo grant or within the boundaries of land defined as "Indian country" of which the individual is an enrolled member while domiciled within the boundaries of the reservation or pueblo grant or within the boundaries of land defined as "Indian country"**

If you are an enrolled member of a New Mexico federally-recognized Indian nation, tribe, or pueblo, your income is exempt from federal adjusted gross income if you meet the following two conditions:

- You were domiciled within the boundaries of the reservation or pueblo grant or within the boundaries of land defined as "Indian country" of membership when you earned the income, **and**
- You earned the income within the boundaries of the reservation or pueblo grant or within the boundaries of land defined as "Indian country".

If you are the spouse of an enrolled member who is domiciled and works within the boundaries of the reservation or pueblo grant or within the boundaries of land defined as "Indian country" of the spouse's New Mexico federally recognized nation, tribe, or pueblo, your income **is** taxable unless you are also a member of a New Mexico federally recognized Indian nation, tribe, band or pueblo.

**IMPORTANT:** Income (including retirement or pension income) earned **outside** the boundaries of the reservation or pueblo grant or outside the boundaries of land defined as "Indian country" of your own or your spouse's New Mexico federally recognized Indian nation, tribe, or pueblo is subject to New Mexico income tax no matter where you live.

**When Armed Forces Pay and Retirement or Pension Income is Exempt.** Armed forces pay of an enrolled member of a New Mexico federally recognized Indian nation, tribe, or pueblo is exempt only for times when the home of record and domicile is within the boundaries of the reservation or pueblo grant or within the boundaries of land defined as "Indian country" of the member's own New Mexico federally recognized Indian nation, tribe, or pueblo.

Retirement or pension income is exempt when the retirement or pension is the result of employment **within** the boundaries of the reservation or pueblo grant or within the boundaries of land defined as "Indian country" of the mem-

ber's or spouse's New Mexico federally recognized Indian nation, tribe, or pueblo.

- **Line 11**, enter the amount of qualifying income.
- **Line 11a**, enter the name of your New Mexico federally recognized Indian nation, tribe, or pueblo.
- **Line 11b**, if applicable, list the name of your spouses New Mexico federally recognized Indian nation, tribe, or pueblo.

**NOTE FOR LINES 11 AND 12:** You may not claim combined exemptions and deductions for more than 100% of income. If you claim rebates and credits on PIT-RC, you must also include amounts exempted or deducted on PIT-ADJ, lines 11 and 12 as income when calculating modified gross income.

For more information, see the instructions for PIT-RC.

**LINE 12 and BOXES 12a and 12b. Income of persons age 100 years or older**

To qualify for this income exemption both of the following must be true:

- The taxpayer or spouse must be 100 years or older (a centenarian) at the end of the tax year for which you claim the exemption.
- Someone else cannot claim the centenarian as a dependent.

If you qualify, mark the box or boxes on lines 12a and 12b.

**IMPORTANT:** If you do not mark the box or boxes, the Department denies this exemption.

See the previous **NOTE FOR LINES 11 AND 12.**

**Unmarried Centenarians.** If you are an unmarried centenarian, you do not need to file a return unless you want to claim rebates and credits available for low income filers.

**Married Centenarians.** New Mexico is a community property state, and rules are different for married centenarians.

If you are a married centenarian filing jointly or separately, you may exempt **half** of all community income and **all** of your separate income.

**Attach A Statement**

If you report an exemption for more or less than 50% of total joint income, attach a statement to your return showing a correct division of community property along with separate income and payments.

Not allowed are combined exemptions and deductions for more than 100% of income.

**IMPORTANT:** If you claim rebates and credits on Schedule PIT-RC, include this exempt income in calculating modified gross income on that schedule. See the instructions for Schedule PIT-RC.

**TABLE 1. Exemptions for Persons 65 or Older or Blind (see line 13 instructions)**

Married Filing Jointly, Head of Household, Surviving Spouse		Single		Married Filing Separately		Amount for each taxpayer 65 or older, or blind, for federal income tax purposes
Adjusted Gross Income PIT-1 Return, Line 9		Adjusted Gross Income PIT-1 Return, Line 9		Adjusted Gross Income PIT-1 Return, Line 9		
But not Over		But not Over		But not Over		
\$ 0	\$30,000	\$ 0	\$18,000	\$ 0	\$15,000	-----\$ 8,000
30,001	33,000	18,001	19,500	15,001	16,500	----- 7,000
33,001	36,000	19,501	21,000	16,501	18,000	----- 6,000
36,001	39,000	21,001	22,500	18,001	19,500	----- 5,000
39,001	42,000	22,501	24,000	19,501	21,000	----- 4,000
42,001	45,000	24,001	25,500	21,001	22,500	----- 3,000
45,001	48,000	25,501	27,000	22,501	24,000	----- 2,000
48,001	51,000	27,001	28,500	24,001	25,500	----- 1,000
51,001	-----	28,501	-----	25,501	-----	----- 0

For more information, see Bulletin B-300.03, PIT Exemption for Centenarians, at <http://www.tax.newmexico.gov/>. At the top, click **FORMS & PUBLICATIONS**, then select Bulletins from the Publications folder. Open the 300 Series-Income Taxes folder to access B-300.3.

**You may not claim the centenarian exemption AND the deduction for 65 and older or blind.**

**LINE 13. Exemption for persons age 65 or older, or blind**

You may be eligible for an exemption of up to \$8,000 based on your filing status and your federal adjusted gross income from PIT-1, line 9, if:

- You are 65 or older, **or**
- You are not yet 65, but considered blind for federal income tax purposes.

Find the column in Table 1 that matches your filing status. Then find the row that includes your federal adjusted gross income. Read across to the last column for the exemption amount.

When both persons in a married couple are either 65 or older **or** blind on the last day of the tax year, the amount in the table applies to **each** taxpayer on a joint return.

**Mark Correct Boxes on PIT-1 Return** If you or your spouse are 65 years of age or older, on page 1 of PIT-1 mark boxes **1d** and **2d**. If you or your spouse are blind for federal income tax purposes, mark boxes **1c** and **2c**. If the boxes are not marked correctly, the Department denies this exemption on the Schedule PIT-ADJ.

The Department at some time may request proof that you or, if applicable, your spouse are blind for federal purposes. Do not attach the proof to your return.

**NOTE:** The Department allows only one deduction per person. You cannot take deductions for being both 65 or older **and** blind.

**EXAMPLE:** A married couple files jointly and both people are 65 or older. Their federal adjusted gross income is

\$35,000. According to Table 1, the exemption amount is \$12,000 or \$6,000 x 2.

If the same couple is also blind, the exemption is still \$12,000.

**EXAMPLE:** A married couple files jointly. The primary taxpayer is 65 and the spouse is 45 and blind. Their federal adjusted gross income is \$28,000. According to Table 1, the exemption is \$16,000 or \$8,000 x 2.

**LINE 14. Exemption for New Mexico Medical Care Savings Account**

If you or your spouse are enrolled in a New Mexico Medical Care Savings Account (NMMSA) established by an employer, and during 2023 you made or received contributions to the account or made or received distributions from the account, you may be entitled to claim a New Mexico medical care savings account exemption.

An NMMSA is a tax-exempt trust or custodial account set up by a self-employed individual or a small employer who maintains a high-deductible individual or family health plan. The funds from the NMMSA are used to pay the employee's unreimbursed medical care expenses. To qualify for the exemption, the qualified contributions or distributions must be included in your federal taxable income.

**When You Can Claim This Exemption**

If the following are included in your federal adjusted gross income, they are exempt from New Mexico income tax and reported on line 14:

- Principal contributed to an NMMSA
- Interest earned on an NMMSA
- Money paid for eligible medical expenses from funds in an NMMSA
- Money advanced to the employee by the employer for eligible medical expenses, according to the Medical Care Savings Account Act

Do not include excess contributions, unqualified distributions, or money rolled over into another NMMSA.

**When You Cannot Claim This Exemption**

Generally, qualified contributions and earnings are excluded, exempted, or deducted from federal adjusted gross income and distributions paid for eligible medical expenses are excluded, exempted, or deducted from federal taxable income. If your qualified contribution or distribution is excluded, exempted, or deducted from federal taxable income, you may not claim the exemption from New Mexico taxable income.

## **LINE 15. Deduction for contributions to a New Mexico-approved Section 529 college savings plan**

The New Mexico Education Trust Fund is an account in one of the New Mexico-approved Section 529 college savings plans.

You can deduct contributions you made to the fund during the tax year for each beneficiary. Contributions include the principal and earnings of amounts rolled over to a New Mexico-approved Section 529 college savings plan account from a non-New Mexico-approved Section 529 college savings plan.

A taxpayer and spouse who file separate returns (filing status is married filing separately) may each claim one-half of the deduction allowed on a joint return.

**NOTE:** You may only deduct contributions to a Section 529 plan established and approved by the New Mexico Education Trust Board. See Quick Guide 6, *New Mexico Income Tax and Your Education Trust (529) Plan*, on the Department's website.

## **LINE 16. Net capital gains deduction**

You may deduct all or part of your net capital gains reported and claimed on your federal tax return. You may deduct the greater of:

- 100% of your net capital gains, not to exceed \$1,000; **or**
- 40% of your net capital gains.

For purposes of this deduction, "net capital gains" are defined by Section 1222(11) of the Internal Revenue Code as the excess of net long-term capital gains over short-term capital losses for the tax year. "Net capital gains" do not include short-term capital gains."

A taxpayer and spouse who file separate returns (filing status is married filing separately) may each claim only one-half of the net capital gains deduction allowed on a joint return.

**IMPORTANT:** You may not claim the net capital gains deduction in addition to credit provided by the Venture Capital Investments Act.

## **LINE 17. Active duty pay for United States armed forces.**

Armed forces includes the Army, Navy, Air Force, Marine Corps, and Coast Guard. "Active duty," as defined in 37 USC 101, means full-time duty in active service. It includes the following:

- Full-time training duty
- Annual training duty
- Full-time National Guard duty

- Attendance, while in active service, at a school designated as a service school by law or by the Secretary of the service

If pay, wages, or salaries paid to you or your spouse for U.S. Armed Forces active duty service was included in your federal adjusted gross income on your PIT-1 return, line 9, enter the amount here.

This exemption applies to residents and to non-residents of New Mexico.

**NOTE:** If you received active duty pay from the U.S. Public Health Service (USPHS), do not enter the income on this line. See the instructions for line 22.

## **Income Inside and Outside the State**

If you have income from inside and outside New Mexico, also see the instructions for 2023 Schedule PIT-B, lines 1 and 11.

## **LINE 18. Medical care expense exemption for persons age 65 years or older**

If you or your spouse are 65 years of age or older, and you paid unreimbursed and uncompensated medical care expenses of \$28,000 or more during tax year 2023, you may be eligible to claim an exemption of \$3,000.

If you meet the following qualifications and your expenses are allowed (see the next paragraph), enter \$3,000 on line 18 to claim the exemption:

- This exemption is for medical care expenses for the care of any combination of you, your spouse, or your dependents.
- The exemption is allowed for out-of-state residents with an income tax responsibility to New Mexico.

## **Types of Medical Expenses Allowed**

The types of medical expenses you may include are described in PIT-1 instructions for line 16, page 27, with one exception. You may **include** unreimbursed and uncompensated medical care expenses included in the itemized deductions on federal Schedule A.

The unreimbursed and uncompensated medical care expenses used to compute this exemption include all qualified expenses used to calculate the refundable medical care credit for persons 65 or older reported on Schedule PIT-RC, line 23.

You may also include unreimbursed and uncompensated medical care expenses used to compute the medical care expense deduction claimed on PIT-1, line 16.

## **Attach PIT-RC**

If you are eligible to claim this exemption, you are also eligible to claim the refundable medical care credit for persons 65 years or older reported on Schedule PIT-RC, line 23. This gives you an additional tax benefit. To claim that tax credit, complete and attach Schedule PIT-RC to your return.

**LINE 19. Deduction for organ donation-related expenses**

Enter any human organ donation-related expenses, including lost wages, lodging expenses, and travel expenses for you or your dependent, not to exceed \$10,000. The expenses must have been incurred during the tax year by you or your dependent as a result of the donation of a human organ to another person.

**Definition of Human Organs**

“Human organs” means: all or part of a heart, liver, pancreas, kidney, intestine, lung, or bone marrow.

A taxpayer and spouse who file separate returns (filing status is married filing separately) may each claim only one-half of the deduction (or exemption) allowed on a joint return.

**LINE 20. New Mexico National Guard member life insurance reimbursements tax exemption**

If you receive a reimbursement from the National Guard Service Member’s Life Insurance Reimbursement Fund, you may claim a personal income tax exemption in the amount of the reimbursement.

The New Mexico Office of Military Affairs issues the reimbursement and sends each recipient a Form 1099-MISC for the reimbursement.

**Attach Form 1099-MISC**

If you claim a New Mexico National Guard member life insurance reimbursements tax exemption, attach Form 1099-MISC to your return to support your exemption.

**LINE 21. Taxable refunds, credits, or offsets of state and local income taxes from federal Schedule 1, line 1.**

For tax years beginning on or after January 1, 2011, a deduction is allowed for the amount you entered on the current year federal Schedule 1, line 1, for **Taxable refunds, credits or offsets of state and local income taxes.**

To qualify, you must have itemized your deductions and included these refunds, credits, or offsets in adjusted gross income on a prior year federal Schedule A. You are required to report the taxable refunds credits or offsets of state and local income taxes on your 2023 federal Schedule 1.

**LINE 22. Non-resident U.S. Public Health Service members’ active duty pay**

Enter the amount of income earned in New Mexico for active duty in the USPHS only if you are a non-resident of New Mexico. If you changed residency or domicile to or from New Mexico during the tax year, enter only the pay you earned while you were a non-resident of New Mexico. This exemption applies only to non-residents of New Mexico.

**Income Inside and Outside the State**

If you have income from inside and outside New Mexico, also see the instructions for 2023 Schedule PIT-B, lines 1 and 11.

The spouse who moves to New Mexico for the sole purpose

of being with their spouse, who is on active duty with the U.S. Public Health Service, may be eligible to allocate and apportion their income from services performed to their state of domicile. In the instructions for PIT-B, see *Income and Residency of Military Servicemember’s Spouse.*

**LINE 23. Liquor license lessor deduction.**

Enter the amount of deduction from net income for which you qualify, not to exceed \$50,000.

To qualify, a taxpayer who is a liquor license lessor and who held the license on June 30, 2021 may claim a deduction from net income in an amount equal to the gross receipts from sales of alcoholic beverages made by each liquor license lessee in an amount, if the liquor license is a dispenser’s license and sales of alcoholic beverages for consumption off premises are less than fifty percent of total alcoholic beverage sales, not to exceed fifty thousand dollars (\$50,000) for each of four taxable years prior to January 1, 2026.

A taxpayer and spouse who file separate returns (filing status is married filing separately) may each claim only one-half of the deduction allowed on a joint return. Deduction amount not to exceed twenty-five thousand dollars (\$25,000).

A taxpayer with ownership interest in a business, taxed for federal income tax purposes as a partnership or limited liability company which meets the requirements of this deduction, may claim a portion of the credit not to exceed the amount allowed had the deduction been claimed by a sole owner. Combined deduction amount not to exceed fifty-thousand dollars (\$50,000).

**Legislation Update:** HB-163 (2022) enacted an exemption for armed forces retirement pay and an exemption for social security income. If you have armed forces retirement pay or social security income you may qualify for Line 24 or Line 25.

**LINE 24. Exemption for armed forces retirement pay.**

Enter the amount of deduction from net income for which you qualify, from the Table 2.

Table 2. Armed Forces Retirement	
Tax Year	Allowed Exemption per qualified individual
2022	\$10,000
2023	\$20,000
2024	\$30,000
2025	\$30,000
2026	\$30,000

To qualify for this exemption, the taxpayer must be an armed forces retiree. Each qualifying armed forces retiree is entitled to claim an exemption in the above amount against their military retirement pay which is included in their net income.

If you are married filing joint and both spouses qualify, each qualifying armed forces retiree is entitled to claim an exemption in the above amount against their military retirement pay

which is included in their net income.

“Armed forces retiree” means a former member of the armed forces of the United States who has qualified by years of service or disability to separate from military service with lifetime benefits.

**LINE 25. Exemption for social security income.**

Enter the amount of social security income included in your Adjusted Gross Income (AGI) up to the AGI listed in Table 3 based on your filing status from PIT-1, line 7.

Table 3. Social Security Income	
Filing Status	AGI
Single	\$100,000
Married Filing Separate	\$75,000
Married Filing Joint, Head of Household, and Surviving Spouse	\$150,000

**Example 1.** Taxpayer A is filing single and has an AGI of \$99,500 which includes social security income of \$80,000. The taxpayer is able to claim an exemption for the \$80,000 since their AGI is not above \$100,000.

**Example 2.** Taxpayer B is filing single and has an AGI of \$150,000 which includes social security income of \$80,000 the taxpayer does not qualify for the social security exemption because their AGI is over the \$100,000 maximum for their filing status.

**LINE 26. Deduction for certain expenses related to a New Mexico licensed cannabis business**

Enter the amount equal to any expenditure that is eligible to be claimed as a federal income tax deduction but is disallowed by Section 280E of the Internal Revenue Code, as that section may be amended or renumbered.

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