

## INSTRUCTIONS FOR 1998 PIT-1-RC NEW MEXICO REBATE AND CREDIT SCHEDULE RC

### GENERAL INFORMATION

The **general qualifications** for claiming the refundable rebates and credits are:

- you must have been a resident of New Mexico on the last day of the tax year; **and**
- you must have been physically present in New Mexico for at least 6 months during the tax year (except for the Child Day Care Credit); **and**
- you were not eligible to be claimed as a dependent of another taxpayer for the tax year; **and**
- you or your spouse were **not** an inmate of a public institution for more than 6 months of the tax year.

Eligibility for the rebates and credits is based on **MODIFIED GROSS INCOME**, which is different from federal adjusted gross income, federal taxable income or New Mexico taxable income. See *What is Modified Gross Income?* on page 2A for details and definitions.

The line instructions for each specific rebate or credit may provide additional specific eligibility requirements.

New Mexico uses the same definitions and qualifications as the Internal Revenue Service to determine if someone is your "dependent". If you received payments on behalf of your children under the Aid to Families with Dependent Children (AFDC), Temporary Assistance for Needy Families (TANF) (or a similar program), general assistance or nontaxable social security benefits, and used them to pay more than half of the cost of keeping a home, you may

NOT count these amounts as furnished by you. In this case, your minor children or step children may not be claimed as "dependents" on your federal return OR your Form PIT-1. However, you may be able to claim these minor children or step children as "household members" for low income rebate purposes on Line 1a of the Form PIT-1-RC.

### STEPS FOR PREPARING THE FORM PIT-1-RC

Prepare your federal return first. Even if you are not required to file a federal return, you will find it easier to complete the Form PIT-1-RC if you complete a sample federal return first.

In these instructions, we explain the required entry on each line only if additional guidance would be helpful or if the item is unique to New Mexico.

Also, please read the section *Filling in your tax return* on page 8 of the Form PIT-1 instructions.

#### STEP 1 Get all forms and publications you need.

If you need any additional forms or instructions, see *Information and Forms* on page 6 of the Form PIT-1 Instructions.

#### STEP 2 Get your records together.

If you received a salary or wages, get all your 1998 wage and tax statements together.

If you received an annuity, pension, retirement pay, IRA distributions, Railroad Retirement or sick pay or social security benefits in 1998, get all of your federal Form(s) 1099-R, 1099-RRB and 1099-SSA.

If you had gambling or lottery winnings, you will need your 1998 federal Form W-2G.

If you received public assistance, Aid to Families with Dependent Children, Temporary Assistance to Needy Families (or similar program), welfare benefits or Supplemental Security Income (SSI) during 1998, you will need records of the amounts received.

If you received any other income in 1998, whether or not taxable, such as an insurance settlement, a scholarship or grant, VA benefits, income from an inheritance or trust, gifts of cash or marketable property, alimony or child support, gather your records of the amounts received.

If you plan to claim the Property Tax Credit for those 65 or older, you will need records of the property tax billed for 1998 or the rent paid on your principal place of residence.

If you plan to claim the Child Day Care Credit, you will need a Caregiver's Statement, Form PIT-CG, from each person who provided child day care during 1998.

### Modified Gross Income Limitations for 1998

If your modified gross income is:	You may qualify for:
<b>\$22,000</b> or less -----	Low Income Comprehensive Tax Rebate
<b>\$16,000</b> or less -----	Property Tax Rebate (if you are 65 or older)
<b>\$21,424</b> or less -----	Child Day Care Credit

---

**STEP 3**  
**Fill in the PIT-1-RC.**

Complete the Form PIT-1-RC using the line instructions that follow. Then continue with STEP 4 on page 6A.

**LINE INSTRUCTIONS**

Enter your first name, middle initial, last name and social security number exactly as they appear on your Form PIT-1.

**All Qualifications for Rebates questions and Lines 1 through 11e must be completed or any rebate or credit claimed will be denied.**

**Question A.** On a joint return, if one spouse was a resident of New Mexico on the last day of the tax year and the other spouse was not, check **BOTH** boxes.

**Question B.** On a joint return, if one spouse was physically present in New Mexico for at least 6 months and the other spouse was not, check **BOTH** boxes.

**Question C.** If you were a dependent or qualify as a dependent of another individual for federal income tax purposes, check the YES box whether or not you were claimed as a dependent on the other person's federal return. **If you were a dependent of another taxpayer, you may not claim any tax rebate or the Child Day Care Credit.**

**Checkbox.** Check the appropriate box(es) if **either** spouse was an inmate of a public institution in 1998 for a period of more than 6 months. Inmates do not qualify for the rebates and credit. If either the head of household or spouse qualifies, dependents of the inmate may still qualify.

**LINE 1.**  
**Household Members.**

On Line 1a, list the name, age and social security number of minor children and step children that were not included on Line 3 of the Form PIT-1

because you did not supply more than half of their support during 1998, but who were members of your household for tax year 1998.

**LINES 2 through 10.**  
**Calculation of Modified Gross Income.**

Read *What is Modified Gross Income?* below before completing these lines.

**What is Modified Gross Income?**

Modified Gross Income (MGI) is a concept unique to New Mexico law. In general, MGI is ALL income and other compensation from ALL sources, regardless of whether that income is taxable or not for federal or state income tax purposes, of the taxpayer, and the taxpayer's spouse and dependents. MGI may not be reduced by deductions or offset by losses which may be allowed for income tax purposes under the New Mexico Income Tax Act or under the Internal Revenue Code.

When calculating MGI, the MGI of the taxpayer and all household members must be included. Even if you are married but filing a separate return, the total modified gross income of both husband and wife must be included in the calculation.

The following items are not included in the definition of MGI and DO NOT have to be reported:

- money received as a loan which the taxpayer is legally obligated to repay;
- the face value of food stamps or WIC vouchers;
- payments made by any party or by Medicare or any similar plan for hospital, dental, medical or drug expenses whether the payment is made directly to the insured/recipient or a third party provider, whether or not a premium is paid;
- money received during the year as low income, prescription drug or property tax rebates or child day care credit;
- medical care payments made by Medicaid, the State Human Services Department, the county Indigent Hospital Fund, Champus, Veterans' Administration, or Worker's Compensation;

- rent subsidies, weatherization, energy and housing rehabilitation benefits (such as Section 8 housing assistance);
- stipends paid to foster grandparents; and
- free room and board when not considered compensation.

**Line 3.** Enter the gross amount of social security benefits, other retirement benefits, including Railroad Retirement benefits and veterans benefits, and amounts received from pensions and annuities WITHOUT deduction for Medicare premiums or other deductions.

**Line 4.** Enter unemployment benefits received from all sources and Worker's Compensation benefits received, except medical benefits.

**Line 5.** Enter amounts received from public assistance, AFDC, TANF or a similar program, welfare and general assistance benefits, and Supplemental Security Income (SSI). DO NOT include medical care benefits, rent subsidies, weatherization, energy and housing rehabilitation benefits.

**Line 6.** Enter your net profit from any business, profession, farm or rentals. This includes income from self-employment. If a loss, enter zero. If you have more than one business, farm or rental property, you MAY NOT offset the loss of one business, farm or rental against the profit of another business, farm or rental or against any other source of income.

**Line 7.** Enter your gross capital gains. Do not reduce them by any capital losses. Include in your capital gains any gain on the sale of a personal residence in 1998 that is deferred or not taxable for federal income tax purposes.

**Line 8.** Enter all gifts of cash or marketable tangible items received from any source. Gifts of tangible items must be given a reasonable value.

**Line 9.** Enter all other income not included on lines 2 through 8, regardless of whether or not it is taxable for fed-

eral or state income tax purposes. This may include, but is not limited to:

- interest, including interest from U.S. government securities and interest on state and municipal bonds;
- dividends;
- alimony, separate maintenance and child support payments;
- gross gambling, gaming and lottery winnings from any source. Do not reduce winnings by any losses;
- receipt of contribution withdrawals from deferred compensation plans;
- royalties from any source;
- distributions from employee stock ownership plans or other employee benefit plans, except for medical benefits;
- income from discharge of indebtedness (not involving bankruptcy);
- value of a legacy, devise, bequest or inheritance received;
- income from an interest in an estate or trust;
- distributions from partnerships, S corporations or similar pass-through entities;
- scholarships, fellowships, prizes, awards or grants;
- other cash prizes and awards;
- insurance or court settlements;
- amounts received from endowment contracts;
- the value of room and board received as compensation;
- all ordinary gains derived from dealing in or selling property; and
- cost-of-living, moving or other allowances received as compensation.

#### **LINE 11.**

#### **Calculation of Allowable Household Members and Extra Exemptions for Rebate and Credit Purposes.**

**NOTE:** You or your spouse must meet the general qualifications listed on page 1A of these instructions before rebates may be claimed for children or other dependents who are residents of New Mexico.

Dependents included in Line 1b of the Form PIT-1-RC must be residents of New Mexico to qualify for tax rebates or credits, but they do not have to be physically present in New Mexico for 6 months.

**EXAMPLE:** A married couple filing a joint return reports a total of 6 household members on Line 1b on the Form PIT-1-RC. However, the husband lived out of the state for 7 months of the tax year. Since he was NOT physically present in New Mexico for 6 months, the family will be allowed only 5 household members when claiming the Low Income Comprehensive Tax Rebate. If both taxpayers lived out of the state for 7 months, none of the household members would qualify.

**EXAMPLE:** If the taxpayer qualifies for the tax rebates, and the dependent is out of the state only temporarily to attend school, that dependent is still a resident of New Mexico. Although the dependent may be out of the state for most of the year, a rebate may be claimed using that dependent as an allowable household member.

**EXAMPLE:** If a citizen of another country is a resident of New Mexico, that citizen may claim the tax rebates. If the spouse, children or other dependents are not residents of New Mexico, a rebate can not be claimed based on exemptions for them.

**Line 11b.** Enter the number of household members that do not qualify. If all household members qualify, enter "0" in the box.

**Line 11d.** If you or your spouse, for those filing jointly, are blind for federal income tax purposes, check the appropriate box(es) and enter the total number of boxes checked on Line 11d.

#### **LINES 12 and 13. Low Income Comprehensive Tax Rebate.**

A rebate claimant must:

- have had a modified gross income of \$22,000 or less;
- have been a resident of New Mexico on the last day of the tax year;
- have been physically present in New Mexico for at least 6 months during 1998;
- not be eligible to be claimed, or claimed as a dependent of another taxpayer for 1998; and
- not have been an inmate of a public

institution for more than 6 months during 1998.

**Lines 12b and 12c.** Extra special exemptions are available if **you or your spouse**, if married filing a joint return, are age 65 or older on the last date of the tax year. Complete the lines as instructed if applicable.

**Line 13.** Turn to the Low Income Comprehensive Tax Rebate Table (Table 1, page 4A). Go down the column on the left until you find the line that includes the Modified Gross Income you entered on Line 12. Follow across that row until you reach the column showing the number of exemptions you calculated on Line 12f. This figure is the amount of your Low Income Comprehensive Tax Rebate.

All taxpayers, other than married couples filing separate returns, enter this amount on Line 13 of the Form PIT-1-RC. Married couples filing separate returns must divide the amount from the table by two and then enter the result on Line 13 of the Form PIT-1-RC. (Be sure to include this amount in Line 21 of the Form PIT-1-RC.)

#### **LINES 14 through 16. Property Tax Rebate for Persons 65 or Older**

**The property tax rebate may not exceed \$250. (\$125 for a married taxpayer filing a separate return.)**

No property tax rebate can be claimed for property that is not subject to property tax.

A rebate claimant must:

- have had a modified gross income of \$16,000 or less;
- be age 65 or older on the last day of the tax year;
- have been a resident of New Mexico on the last day of the tax year;
- have been physically present in New Mexico for at least 6 months during 1998;
- not be eligible to be claimed, or claimed as a dependent of another taxpayer for 1998; and
- not have been an inmate of a public institution for more than 6 months during 1998.

This rebate may be claimed for the property tax billed or rent paid during tax year 1998 on the rebate claimant's principal place of residence in New Mexico.

**What is Principal Place of Residence?** Principal place of residence is the dwelling and related structures, whether owned or rented, and only that amount of land surrounding it reasonably necessary for use of the dwelling as a home. The surrounding land may not exceed five acres for the purposes of this rebate.

If you have more acreage than is reasonably necessary to maintain a dwelling, you must adjust the amount of property tax billed to reflect the principal place of residence only. Only this lesser amount may be used to calculate the tax rebate.

**EXAMPLE:** If a taxpayer's principal place of residence is located on 25 acres, the total amount of property tax billed for the house alone may be in-

cluded, plus the portion of the land that is reasonably necessary to maintain the residence, not exceeding 5 acres, may be included. If it is determined that only one acre is reasonably necessary to maintain the residence, the tax due on the land is divided by the total number of acres on which the property tax has been billed. The property tax billed on the home should then be added to the amount representing the property tax billed on the land. The total is the amount of property tax billed which is to be used in computing this rebate.

**Line 14.** Complete Line 14 only if you own your principal place of residence and were billed property tax. See What is Principal Place of Residence? above.

**NOTE:** If you paid rent for your principal place of residence for part of the year and were billed property tax for your principal place of residence for the other part of the year, both portions may be claimed. The property tax claimed on Line 14 would be only that part of

the annual property tax billed for the period of the taxpayer's occupancy. If you were billed property tax on your manufactured home and you also paid rent for your lot or space, you may claim both.

**Line 15a.** Complete Line 15a only if you paid rent on your principal residence. Enter the total amount of rent paid during 1998. Amount of rent paid includes any amount of rent subsidy paid by a government entity to your landlord. Put an "X" in the box if applicable.

**Line 16b.** Go to the Maximum Property Tax Liability Table (Table 2, page 5A). Find the Modified Gross Income range that includes the amount you entered on Line 12 of the Form PIT-1-RC. Read across the table to the column showing your maximum property tax liability and enter the amount on Line 16b.

TABLE 1 - 1998 LOW INCOME COMPREHENSIVE TAX REBATE							
Modified Gross Income from Line 12 of PIT-1-RC		Number of Exemptions from Line 12f of PIT-1-RC					
	But Not Over	1	2	3	4	5	6 or more
0	\$ 500	\$ 120	\$ 160	\$ 200	\$ 240	\$ 280	\$ 320
500	1,000	135	195	250	310	350	415
1,000	1,500	135	195	250	310	350	435
1,500	3,500	135	195	250	310	350	450
3,500	4,500	135	195	250	310	355	450
4,500	5,000	125	190	240	305	355	450
5,000	5,500	115	175	230	295	355	430
5,500	6,000	105	155	210	260	315	410
6,000	7,000	90	130	170	220	275	370
7,000	8,000	80	115	145	180	225	295
8,000	9,000	70	105	135	170	195	240
9,000	10,000	65	95	115	145	175	205
10,000	11,000	60	80	100	130	155	185
11,000	12,000	55	70	90	110	135	160
12,000	14,000	50	65	85	100	115	140
14,000	15,000	45	60	75	90	105	120
15,000	16,000	40	55	70	85	95	110
16,000	17,000	35	50	65	80	85	105
17,000	18,000	30	45	60	70	80	95
18,000	19,000	25	35	50	60	70	80
19,000	20,000	20	30	40	50	60	65
20,000	21,000	15	25	30	40	50	55
21,000	22,000	10	20	25	35	40	45

**Line 16c.** Taxpayers, other than married couples filing separate returns, subtract the amount on Line 16b (Maximum Property Tax Liability) from the amount on Line 16a (allowable amount of property tax billed and rent paid) and enter the difference on Line 16c. If the amount is less than zero, enter "0". If the amount is over \$250, enter only \$250.

Married couples filing separate returns must subtract Line 16b from Line 16a, divide the difference by 2 and enter this amount on Line 16c. If the amount is less than zero, enter "0". If the amount is over \$125, enter only \$125.

Be sure to include the amount on Line 16c in the amount on Line 21 of the Form PIT-1-RC.

**LINES 17 through 20.  
Child Day Care Credit.**

**The Child Day Care Credit may not exceed \$1,200. (\$600 for a married taxpayer filing a separate return.)**

A credit claimant must:

- have had a Modified Gross Income of \$21,424 or less;
- have been a resident of New Mexico on the last day of the tax year;
- have furnished over half the cost of maintaining a household for one or more qualifying dependents for that part of the tax year for which the rebate is claimed (separately or jointly with a spouse);
- have been gainfully employed for that part of the tax year for which the credit is claimed, or, if a joint return is filed, both spouses must have been gainfully

employed unless one was disabled for that part of the tax year for which the credit is claimed;

- not be a recipient of public assistance under a program of aid to families with dependent children, temporary assistance for needy families (or a similar program) during that part of the tax year for which the credit is claimed.

No credit can be claimed for amounts paid to a caregiver unless the caregiver:

- was at least 18 years old at the time care was provided;
- provided day care for less than 24 hours daily; and
- could not be claimed as a dependent by you or your spouse for federal income tax purposes.

A husband and wife maintaining a household for one or more qualifying dependents and filing separate returns for a tax year for which they could have filed a joint return may each claim only one-half of the credit that would have been claimed on a joint return.

**Definitions you Need to Know to Claim the Child Day Care Credit.**

1) "qualifying dependent" means a dependent under the age of 15 at the end of the tax year who has received the services of a caregiver. Dependent includes a child of divorced or legally separated parents when the taxpayer meets all of the requirements for claiming a federal child care credit.

2) "gainfully employed" means working for others for compensation, either full-time or part-time, or being self-employed. Actively seeking employment or school attendance does not qualify as gainful employment.

3) "cost of maintaining a household" means the expenses incurred in the operation of the principal place of residence for the mutual benefit of its occupants. These expenses include property taxes, mortgage interest, rent, utility charges, upkeep and repairs, property insurance and food. Cost of maintaining a household **does NOT include** cost of clothing, education, medical treatment, vacations, life insurance, transportation or principal payments on mortgages.

4) "disabled person" means a person who has a medically determinable physical or mental impairment, certified by a licensed physician, that renders the person unable to engage in gainful employment.

5) "caregiver" means an individual 18 years of age or over or a corporation who receives compensation from the credit claimant for providing direct care and supervision to a qualifying dependent. A caregiver may be related to, but not a dependent of, the claimant.

**EXAMPLE:** Taxpayer is a single parent who provides over 50% of the support of a dependent child. Taxpayer attended school from January through May and became gainfully employed on a full-time basis on June 1. Taxpayer incurred child care expenses during the entire year, but can claim the credit for child care using only those expenses incurred in June through December while taxpayer was employed. Taxpayer may not include the expenses for child care during the months of January through May in computing the amount of the credit.

**TABLE 2 - 1998 MAXIMUM PROPERTY TAX LIABILITY TABLE**

Modified Gross Income from Line 12 of PIT-1-RC		Maximum Property Tax Liability	Modified Gross Income from Line 12 of PIT-1-RC		Maximum Property Tax Liability
Over	But Not Over		Over	But Not Over	
\$ 0	\$ 1,000	\$ 20	\$ 8,000	\$ 9,000	\$ 60
1,000	2,000	25	9,000	10,000	75
2,000	3,000	30	10,000	11,000	90
3,000	4,000	35	11,000	12,000	105
4,000	5,000	40	12,000	13,000	120
5,000	6,000	45	13,000	14,000	135
6,000	7,000	50	14,000	15,000	150
7,000	8,000	55	15,000	16,000	180

**NOTE:** The Department may request that you provide certification of disability from your physician, but do NOT include it with your return.

To calculate your allowable Child Day Care Credit, you will need to complete the Worksheet on the Form PIT-1-RC. Each caregiver is required to provide you with a Form PIT-CG, Caregiver's Statement. The information on the PIT-CG is necessary to complete the worksheet. Keep the Form(s) PIT-CG in your records. Do not attach them to your return.

To complete the worksheet:

**Column A:** Enter the name of each qualified dependent child who receive day care during 1998. If you have more than 4 qualified dependent children who receive day care, attach a supplemental worksheet in the same format.

**Column B:** Enter the age of each child at the end of the 1998 tax year.

**Column C:** Enter the total number of days of child day care service provided for each child.

**Column D:** Enter the amount paid per day for each child to a maximum of \$8 per child per day.

**Column E:** Multiply column C times column D and enter the result.

**Column G:** Multiply column E by column F (.40) and enter the result to a maximum of \$480 per child.

**Line 17.** Add the amounts in column G and enter the total to a maximum of \$1,200. This is your available Child Day Care Credit.

**Line 18.** Enter the total number of qualified dependents receiving child day care services.

**Line 19.** Enter the amount of federal child care credit claimed on your federal income tax return.

**Line 20.** Subtract line 19 from line 17.

This is the amount of New Mexico Child Day Care Credit you may claim.

**EXAMPLE:** Taxpayer's three children each received 200 days of care. Taxpayer paid \$10 for each day of care for each child. Taxpayer's available New Mexico day care credit amount is computed to be \$1,200.

Taxpayer computes the credit amount for the first child by entering the name and age of the child in columns A and B. The number of days of care (200) is entered in column C. \$8 is entered in column D even though taxpayer paid \$10 per day because the maximum daily amount for computing the credit is \$8. 200 times \$8 equals \$1,600 (entered in column E). 40% of \$1,600 equals \$640. Because \$640 is greater than \$480 (the maximum allowable amount per child), \$480 is entered in column G.

Taxpayer computes the credit amounts for the second and third child in the same way. The sum for the three children is \$1,440. This exceeds \$1,200 (the maximum allowable credit amount), so \$1,200 is entered on line 17.

**EXAMPLE:** Taxpayer's child received 100 days of care at \$7 per day and 50 additional days of care at \$10 per day. Taxpayer's available day care credit amount is computed to be \$440.

Taxpayer enters the child's name and age in column A and B. In columns C and D, the number 100 (days of care) and \$7 (amount paid per day) are entered. 100 times \$7 equals \$700 (entered in column E). 40% of \$700 equals \$280 (entered in column G).

On the next line of the worksheet, taxpayer writes "same child". Taxpayer enters 50 (days of care) in column C and \$8 (maximum daily amount allow-

able for computing this credit, even though taxpayer actually paid \$10 per day) in column D. 50 times \$8 equals \$400 (entered in column E). 40% times \$400 equals \$160.

The sum of the two partial credit amounts for this child is \$440, entered on line 17.

#### **LINE 21.**

#### **Total Rebates and Credits Claimed.**

Add the amounts, if any, on lines 13, 16c, and 20, and enter the total on line 21.

Make sure you carry this amount to line 16 of your Form PIT-1.

---

**Now continue with Step 4 below.**

---

#### **STEP 4**

#### **Check the figures on your Form PIT-1-RC.**

Make sure your arithmetic is correct, and that you have limited your calculations to the maximum when that is required.

Check that the front page of the Form PIT-1-RC shows your correct name and identifying number and that all required questions have been answered. Make sure your social security number is entered correctly on the reverse side of Form PIT-1-RC.

---

#### **STEP 5**

#### **Transfer the amount on Line 21 to your Form PIT-1.**

Be careful to correctly transfer the total amount of your rebates and credits to line 16 on your Form PIT-1. Then continue with the line instructions and remaining steps for completing your 1998 Form PIT-1.