

# NEW MEXICO STATE R&D TAX CREDIT

## OVERVIEW

There are 2 possible credits that can be claimed under the Technology Jobs and Research and Development Tax Credit Act.

**The Basic Tax Credit** may be applied against the taxpayer's compensating tax, withholding tax or gross receipts tax (excluding local option gross receipts tax), due to the state of New Mexico. The Form CRS-1 and tax are due on the 25th of the month following the end of the reporting period.

**The Additional Tax Credit** may be applied against the taxpayer's personal or corporate income tax.

Taxpayers are eligible to receive this credit if their annual payroll expense for the tax year being claimed exceeds the previous tax year's payroll expense by \$75,000 for every \$1,000,000 of QREs claimed. In addition, a pass-through entity in itself cannot claim this credit. Only an owner of a pass-through entity may claim the additional credit. Income tax returns must be submitted by the 15th day of the 3rd month following the end of the reporting period. Small businesses are able to claim a refund of all (or a portion of) the approved additional credit.

## ELIGIBILITY

A taxpayer conducting qualified research at a qualified facility and making qualified expenditures is eligible to claim the basic technology jobs and research and development tax credit. Approval for a basic and additional credit must be applied for within one year following the end of the reporting period in which the qualified expenditure was made.

The basic tax credit is currently 5% of QREs with additional credit being another 5%. The tax credit doubles (i.e. 10%) for expenditures in facilities located in rural New Mexico.

To claim the small business tax credit, the following conditions must be met:

1. No more than 50 employees were employed in the tax year being claimed.
2. Total QREs made in the tax year for which an additional credit is claimed were no more than \$5,000,000.
3. No more than 50% of the employer's voting securities or other equity interest with the right to designate or a governing body exists.

## CALCULATING THE BENEFIT

The New Mexico R&D Credit is claimed using Form RPD – 41385. Form RPD – 41385 must be completed and approved prior to claiming the credit and submitting form RPD-41386 with the relevant tax return.

The credit is calculated as 5% (10% if in rural area) of QREs in the current tax period in New Mexico.

## UTILIZATION

The tax credit, including any carry forward amount may be used to offset the state tax liability. Any amount in excess of the tax liability may be carried forward for a maximum of 3 years.

## SUMMARY OF STATE CREDIT

- Form: **Form RPD – 41385**
- Expiration: **Indefinite**
- Calc Rate: **5% of qualified expenditures (10% if in rural area)**
- Base period: **Qualified Expenditures in NM**
- Carry-forward: **3 years**
- Offset: **State Tax Liability**
- Refund: **No (Yes if a small business)**

YR	TOTAL QREs	CREDIT CALCULATION	NM CREDIT
2019	\$750k	\$750k x 5%	\$37.5k
Prior Year Amounts			
2018	\$650k		
2017	\$0k		
2016	\$0k		

