

Impact of American Rescue Plan for Filers of New Mexico Personal Income Tax

The federal American Rescue Plan Act passed and signed into law in March 2021 amended Section 85 of the Internal Revenue Code to allow up to \$10,200 of unemployment compensation to be excluded from federal gross income on the 2020 federal return for taxpayers with an adjusted gross income (AGI) under \$150,000. Because New Mexico income tax is calculated based on the reported federal AGI, this change may impact the 2020 New Mexico personal income tax return of some taxpayers. This may reduce the amount of tax these taxpayers owe, increase the amount of any refund, and may change their eligibility for certain tax credits and exemptions.

Taxpayers who received unemployment compensation in 2020 should follow the updated instructions provided by the Internal Revenue Service (IRS) when filing their federal return and determining their AGI. The updated instructions and the Unemployment Compensation Exclusion Worksheet located on the IRS website should be used to figure any exclusion of unemployment compensation on the Schedule 1 of the Form 1040.

New Mexico personal income tax is based on the reported federal AGI. If excluding unemployment compensation on the federal return will decrease their federal AGI, taxpayers who have already filed their 2020 PIT-1 may wish to amend their return. Generally, a lower federal AGI will mean a lower tax, and possibly a larger refund. Also, a lower AGI may qualify New Mexico taxpayers for certain credits and exemptions for which they were previously ineligible.

For example, AGI determines whether an individual qualifies for the federal Earned Income Credit, which then determines whether the taxpayer qualifies for the New Mexico Working Families Tax Credit. A lower AGI may make this credit available. Qualifying for this credit in turn may also make the taxpayer eligible for the \$600 income tax rebate made recently available for tax year 2020 as part of COVID relief legislation. More about this rebate can be found in bulletin [B-100.39 2020 Income Tax Rebate and Temporary GRT Deduction](#) located by going to <https://www.tax.newmexico.gov/forms-publications/> and opening the folder "Publications", then the "Bulletins" folder, and then "100 Series – General Information".

Other exemptions and deductions that taxpayers may qualify for based on a lower AGI include the New Mexico Low and Middle-Income Tax Exemption, the Exemption for Persons Age 65 or Older, and the Medical Care Expense Deduction.

Taxpayers should be aware, however, that rebates that are claimed on the rebate schedule, PIT-RC, such as the Low-Income Comprehensive Tax Rebate and New Mexico Child Day Care Credit, are calculated based not on AGI but on modified gross income. In general, modified gross income is all income and other compensation received from all sources, regardless of whether that income is taxable by the federal government or the state of New Mexico. Modified gross income includes unemployment compensation benefits. Refer to the instructions for the PIT-RC to learn more.

If a taxpayer elects to use the allocation and apportionment schedule, PIT-B, the taxpayer should not include any unemployment compensation that was excluded on the federal return. Any unemployment compensation that was not excluded, however, should be included on line 7 of the PIT-B in the appropriate columns.

Taxpayers who filed their income tax returns before the passage of the American Rescue Plan Act may wish to file an amended return to reflect their new AGI, exclusive of the unemployment compensation payments, and to claim any refund they may now be owed. New Mexico taxpayers who filed a federal return after the exclusion of unemployment compensation payments provided by the American Rescue Plan Act do not need to take any action as the AGI they reported on the New Mexico return should already reflect these changes. Similarly, anyone not affected by the new law does not need to take any additional action.

Forms and instructions for 2020 PIT-1 and applicable schedules may be found online by visiting the Department's website here: <http://www.tax.newmexico.gov/forms-publications.aspx>. Click on the folder for Income Taxes and then Personal Income Tax (PIT) - Current Year. You may also file an amended return electronically for free after creating an account by using the Department's online filing system Taxpayer Access Point (TAP) found here: <https://tap.state.nm.us/TAP>.

Tax District Field Offices and the Department's call center can provide full service and general information about the Department's taxes, taxpayer access point, programs, classes, and forms. Information specific to your filing situation, payment plans and delinquent accounts.

TAX DISTRICT FIELD OFFICES

ALBUQUERQUE

10500 Copper Pointe Avenue NE
Albuquerque, NM 87123

SANTA FE

Manuel Lujan Sr. Bldg.
1200 S. St. Francis Dr.
Santa Fe, NM 87504

FARMINGTON

3501 E. Main St., Suite N
Farmington, NM 87499

LAS CRUCES

2540 S. El Paseo Bldg. #2
Las Cruces, NM 88004

ROSWELL

400 Pennsylvania Ave., Suite 200
Roswell, NM 8820

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

Call Center Number:

1-866-285-2996

If faxing something to a tax district field office, please fax to:

Call Center Fax Number:

1-505-841-6327

If mailing information to a tax district field office, please mail to:

Taxation and Revenue Department
P.O. Box 8485
Albuquerque, NM 87198-8485

For additional contact information please visit the Department's website at <http://www.tax.newmexico.gov/contact-us.aspx>

General Information. FYIs and Bulletins present general information with minimum technical language. All FYIs and Bulletins are free of charge and available through all local tax offices and on the Taxation and Revenue Department's website at <http://www.tax.newmexico.gov/forms-publications.aspx>

This information is as accurate as possible as of the date specified on the 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.