

STATE OF NEW MEXICO - TAXATION AND REVENUE DEPARTMENT

**APPLICATION FOR TECHNOLOGY JOBS AND
RESEARCH AND DEVELOPMENT TAX CREDIT**

Mail this form to: Taxation and Revenue Department, ATTN: Director's Office, P.O. Box 8485, Albuquerque, New Mexico, 87198-8485.
For the status of the credit application call: (505) 383-0184 or (505) 383-0171.

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. The taxpayer is also entitled to an additional credit if annual payroll expenses increase by \$75,000 over base payroll for every \$1,000,000 in qualified expenditures claimed by the taxpayer in a tax year in the same claim. See the instructions for important definitions and required attachments. To apply for the technology jobs and research and development tax credit, a taxpayer must have qualified expenditures made on or after January 1, 2015.

Name of Business		New Mexico CRS Identification Number
Street Address		City, State and ZIP Code
Mailing Address		City, State and ZIP Code
Name of Contact Person	Telephone Number	Email address

For the report period _____ through _____ (See the instructions)
(mm/dd/yyyy) (mm/dd/yyyy)

1. Qualified Research (please define the type of research) _____

2. Qualified Facility (Indicate type of facility and physical location) _____

2a. Mark this box if the expenditures were incurred for a qualified facility located within a rural area

3. Qualified Expenditures (Attach expense summary and description of qualified expenditures.) _____

4. Basic Technology Jobs and Research and Development Tax Credit..... _____
5% of Qualified Expenditures or 10% if in a rural area

5. Additional Technology Jobs and Research and Development Tax Credit..... _____
5% of Qualified Expenditures or 10% if in a rural area
(Attach a payroll expense summary that reflects both annual and base payroll expenses.)

5a. Mark this box if the three statements below are true indicating if you are a qualified research and development small business

- No more than 50 employees were employed in the tax year for which the additional credit is claimed, for which the employer was liable for unemployment insurance coverage.
- Total qualified expenditures made in the tax year for which an additional credit is claimed were no more than \$5,000,000.
- No more than fifty percent of the employer's voting securities or other equity interest with the right to designate or elect the board of directors or other governing body of the business owned directly or indirectly by another business.

6. Total Technology Jobs and Research and Development Tax Credit..... _____
Add lines 4 & 5

I declare I have examined this application, including accompanying schedules, attachments and statements, and to the best of my knowledge and belief it is true, correct and complete.

Taxpayer Authorized Signature

Date

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Applying for Basic Credit

A taxpayer may apply for approval of a basic credit within one year following the end of the reporting period in which the qualified expenditure was made.

Applying for Additional Credit

A taxpayer may apply for approval of the additional credit within one year following the end of the tax year in which the qualified expenditure was made.

Line 1 - Describe the qualified research performed.

Qualified Research – means research that is undertaken to discover information that is:

- Technological in nature
- Intended to be useful in the development of a new or improved business component of the taxpayer, and
- Related to a new or improved function, performance, reliability or quality, but not related to style, taste, or cosmetic or seasonal design factors.

Line 2 - Describe the facility and it's physical location.

Qualified Facility – means a factory, mill, plant, refinery, warehouse, dairy, feedlot, building or complex of buildings located in New Mexico at which qualified research is conducted. These include the land on which the facility is located and all machinery, equipment and other real and tangible personal property located at or within the facility and used in connection with the operation of the facility. Any facility operated by the taxpayer for the United States is excluded.

Line 2a. Mark this box if the expenditures were incurred for a qualified facility located within a rural area*. The amount of both the basic and additional technology jobs and research and development credit are doubled if the qualified expenditures were incurred for a qualified facility in a rural area. If the facility is located in a rural area, multiply the amount of qualified expenditures by 10% in lines 4 and 5.

*Rural Area – means any area of the state other than the state fairgrounds, an incorporated municipality with a population of thirty thousand or more according to the most recent federal decennial census and any area within three miles of the external boundaries of the incorporated municipality defined above. Listed below are links to maps to help you determine if you are in a rural area.

- http://www.realfile.tax.newmexico.gov/RuralAreas_State_3and10mi.jpg
- http://www.realfile.tax.newmexico.gov/RuralAreas_ABQ_RioRancho.jpg
- http://www.realfile.tax.newmexico.gov/RuralAreas_Alamogordo.jpg
- http://www.realfile.tax.newmexico.gov/RuralAreas_Clovis.jpg
- http://www.realfile.tax.newmexico.gov/RuralAreas_Farmington.jpg
- http://www.realfile.tax.newmexico.gov/RuralAreas_Hobbs.jpg
- http://www.realfile.tax.newmexico.gov/RuralAreas_LasCruces.jpg

- http://www.realfile.tax.newmexico.gov/RuralAreas_Roswell.jpg
- http://www.realfile.tax.newmexico.gov/RuralAreas_SantaFe.jpg

Line 3 - Enter the total qualified expenditures. Attach an expense summary with a description of the qualified expenditures.

Qualified Expenditures – means any expenditure or allocated portion of an expenditure connected to qualified research at a qualified facility. Such expenditures include:

- Depletable land and rent paid or incurred for land Improvements
- Allowable amounts paid or incurred to operate or maintain a facility
- Buildings
- Equipment
- Computer software
- Computer software upgrades
- Consultants and contractors performing work in New Mexico
- Payroll
- Technical books and manuals
- Test materials

Qualified expenditures exclude any expenditure:

- On property owned by a municipality or county in connection with an industrial revenue bond project,
- On property for which the taxpayer has received any credit under the Investment Credit Act,
- On property owned by the taxpayer or affiliate before July 3, 2000, or
- On research and development expenditures reimbursed by a person who is not an affiliate of the taxpayer.

If an allocation of expenditure is claimed, the cost accounting methodology used for the allocation of the expenditure shall be the same cost accounting methodology used by the taxpayer in its other business activities.

Line 4 - Multiply the total amount of qualified expenditures by 5% or by 10% if the qualified facility is in a rural area. This is the amount of your basic credit.

Line 5 - Multiply the total amount of qualified expenditures by 5% or by 10% if the qualified facility is in a rural area. This is the amount of your additional credit.

Line 5a - Mark this box if you are a qualified research and development small business. To qualify as a qualified research and development small business, you are affirming that the following three statements are true.

1. No more than 50 employees were employed in the tax year for which the additional credit is claimed, for which the employer was liable for unemployment insurance coverage.

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2. Total qualified expenditures made in the tax year for which an additional credit is claimed were no more than \$5,000,000.
3. No more than fifty percent of the employer's voting securities or other equity interest with the right to designate or elect the board of directors or other governing body of the business owned directly or indirectly by another business.

Qualified research and development small businesses may be entitled to a refund of all or a portion of approved additional technology jobs and research and development tax credit, as described in the next section.

USING THE TECHNOLOGY JOBS AND RESEARCH AND DEVELOPMENT TAX CREDIT

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. No taxpayer may claim an amount of approved basic credit for any reporting period that exceeds the sum of the taxpayer's compensating tax, withholding tax and gross receipts tax (excluding local option gross receipts tax) due for that reporting period.

Approved basic credit may be carried forward for a period of up to three years from the date of the original claim.

The Additional Tax Credit may be applied against the taxpayer's personal or corporate income tax. Except for qualified research and development small businesses, no taxpayer may claim an amount of additional credit for any reporting period that exceeds the amount of the taxpayer's personal or corporate income tax due for that reporting period.

Married individuals may each claim only one-half the additional credit. A pass-through entity (PTE) approved for additional credit may pass the additional credit to its owners, partners or members using Form RPD-41368, *Notice of Distribution of Technology Jobs and Research and Development Tax Credit*.

Refund for Certain Small Businesses

Qualified research and development small businesses may claim a refund of all or a portion of approved additional credit. If the total qualified expenditures for the tax year for which the claim is made is:

- less than \$3,000,000, the excess additional credit shall be refunded to the taxpayer;
- greater than or equal to \$3,000,000 and less than \$4,000,000, two-thirds of the excess additional credit shall be refunded, and
- greater than or equal to \$4,000,000 and less than or equal

to \$5,000,000, one-third of the excess additional credit shall be refunded.

Carryforward of Additional Credit

Any amount of approved additional credit not claimed against the taxpayers income tax or corporate income tax due for a tax year or refunded to the taxpayer may be carried forward for a period of up to three years from the date of the original claim.

Recapture

If the taxpayer or a successor in business of the taxpayer ceases operations in New Mexico for 180 consecutive days within a two-year period, any approved unclaimed credit shall be extinguished. Within 30 days after the 180 days, the taxpayer shall pay the tax against which an approved technology jobs and research and development tax credit was taken.

Taxpayer Reporting Requirement

Effective January 1, 2015, a taxpayer claiming this credit shall file reports with the Taxation and Revenue Department. The reports shall be submitted on or before June 30 of the year following a calendar year in which the taxpayer claims a basic or additional credit and by June 30 of each of the two succeeding years. The reports shall contain information describing the taxpayer's business operations in New Mexico that is sufficient for the Department to enforce the recapture provision. If a taxpayer fails to submit a required report, the amount of any basic or additional credit claimed for that year shall be subject to the recapture provision.

Transition of the Research and Development Small Business Tax Credit

Effective January 1, 2015, the Technology Jobs Tax Credit Act is revised to add an incentive for research and development small businesses, and as of January 1, 2016, will be known as the Technology Jobs and Research and Development Tax Credit Act. The new legislation allows research and development small businesses to obtain the new "technology jobs and research and development tax credit" for qualified expenditures made after January 1, 2015. For report periods between January 1, 2015, and June 30, 2015, a taxpayer who becomes eligible for a "research and development small business tax credit" can choose to either claim the "research and development small business tax credit" or the "technology jobs and research and development tax credit".

By claiming the "research and development small business tax credit" for a reporting period prior to July 1, 2015, the taxpayer is ineligible to claim the "technology jobs and research and development tax credit" for the same reporting period. Likewise, a taxpayer who claims a "technology jobs and research and development tax credit" is ineligible to claim the

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"research and development small business tax credit" for the same reporting period.

Important Definitions

"Annual payroll expense" means the wages paid or payable to employees in the state by the taxpayer in the tax year for which the taxpayer applies for an additional credit.

"Base payroll expense" means the wages paid or payable by the taxpayer in the tax year prior to the tax year for which the taxpayer applies for an additional credit, adjusted for any increase from the preceding tax year in the consumer price index for the United States for all items as published by the United States Department of Labor in the tax year for which the additional credit is claimed. In a tax year during which a taxpayer has been part of a business merger or acquisition or other change in business organization, the taxpayer's base payroll expense shall include the payroll expense of all entities included in the reorganization of all positions that are included in the business entity resulting from the reorganization.

"Qualified Facility" means a factory, mill, plant, refinery, warehouse, dairy, feedlot, building or complex of building located within the state, including the land on which it is located and all machinery, equipment and other real and tangible personal property located at or within it and used in connection with its operation. The facility must be located in New Mexico at which qualified research is conducted other than a facility

operated by a taxpayer for the United States or any agency, department or instrumentality.

"Local option gross receipts tax" means a tax authorized to be imposed by a county or municipality upon the taxpayer's gross receipts, and required to be collected by the Department at the same time and in the same manner as the gross receipts tax.

"Qualified research and development small business" means a taxpayer that:

- employed no more than fifty employees as determined by the number of employees for which the taxpayer was liable for unemployment insurance coverage in the taxable year for which an additional credit is claimed;
- had total qualified expenditures of no more than \$5,000,000 in the tax year for which an additional credit is claimed, and
- did not have more than fifty percent of its voting securities or other equity interest with the right to designate or elect the board of directors or other governing body of the business owned directly or indirectly by another business.

"Wages" means remuneration for services performed by an employee in New Mexico for an employer.