



**NCDOR**

NORTH  
CAROLINA  
DEPARTMENT  
OF REVENUE

# North Carolina Partnership Income Tax Return Instructions

## eFile

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- ✓ Pay tax due by bank draft with no convenience fee
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[www.ncdor.gov](http://www.ncdor.gov)

# 2022

### Tax Assistance

Information about partnership income tax and tax forms may be obtained from our website at [www.ncdor.gov](http://www.ncdor.gov). You may also call the North Carolina Department of Revenue Customer Service line at 1-877-252-3052 (toll-free) for additional assistance in completing the partnership's tax forms or to request forms.

## What's New for 2022?

- **Certain Partnerships are Eligible to Make an Election to Pay Tax at the Entity Level**  
N.C. law was amended to include a provision that allows certain partnerships to elect to pay N.C. income tax at the entity level (a "Taxed Partnership"). **Important:** For purposes of these instructions, a "Taxed Partnership" is an eligible partnership that elects to pay N.C. income tax at the entity level.
- **N.C. Tax Rate**  
N.C. law was amended to decrease the individual income tax rate to 4.99% for tax year 2022. Partnerships are subject to the same income tax rate as individuals.
- **Failure to Pay Penalty**  
For assessments dated on or after January 1, 2023, the failure to pay penalty is reduced to 5% of net tax due, regardless of how late the tax is paid. *(For more information, see page 5 of these instructions.)*
- **Other 2022 Legislative Changes**  
For information on other legislative changes that affect tax year 2022, see the "2022 Tax Law Changes" publication available on the Department's website.

## Before You Begin

Read the instructions carefully before you begin preparing the partnership's income tax return. Make sure that you complete and attach the proper tax schedules to the partnership's tax return. Incomplete or inaccurate information may result in the Department returning the tax return to you, thereby delaying the processing of the tax return and any refund due thereon.

**Important:** You must enter the partnership's **entire nine-digit** Federal Employer Identification Number ("FEIN") in the appropriate boxes on the forms. An incorrect or missing FEIN can increase the partnership's tax, reduce the partnership's refund, or delay the partnership's refund.

- Be sure to enter the partnership's complete address on the tax return.
- Make sure you have received all of the 1099s, K-1s, and other tax documents that you need to prepare the tax return.
- **Do not** submit photocopies of the return. Submit original forms only. **Do not** use any prior year forms.
- **Use black or blue ink only. Do not use red ink or pencil.**
- Write your numbers **clearly inside** the boxes like this:      17360 .00
- **Do not** use dollar signs (\$), commas, decimal points, or other punctuation marks like this:      \$17360 .00
- **Do not** use brackets to indicate negative numbers. Negative numbers are indicated by either:
  - Filling in the circle next to the number like this (*Web version*): ●      123456 .00
  - Entering a minus sign in the appropriate space like this (*Web-fill version*): -12345.00
- If the partnership does not have an entry for a particular line, leave it blank. Do not enter dashes, zeros, draw lines, or other symbols in boxes that the partnership has no entry for that line.
- Round off to the nearest whole dollar. Drop amounts under 50 cents and increase amounts from 50 cents to 99 cents to the next whole dollar.
- Use capital letters.
- Print letters and numbers like this:
 

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
0	1	2	3	4	5	6	7	8	9																
- Fill in applicable circles completely. **Example:**  Yes  No
- Each year the Department makes available (and approves) several different versions of N.C. tax forms and schedules. **Do not** mix the different versions. If you submit different versions for the same tax year, the Department cannot process the tax return.

**Example:** Do not submit a software generated Form D-403 with a web-fill Form D-403TC. Instead, submit a software generated Form D-403 and a software generated Form D-403TC, or a web-fill Form D-403 and a web-fill Form D-403TC.

## General Information

The information contained in this booklet is to be used as a guide in the preparation of the 2022 N.C. partnership income tax return and is not intended to cover all provisions of the law. For further information on N.C. tax law, refer to the administrative rules, bulletins, directives, or other publications issued by the Department of Revenue.

**Important:** The references to line numbers on federal income tax returns were correct at the time this booklet was published. If line numbers have changed since publication and you are unable to determine the proper line to use when completing the partnership's N.C. tax return, contact the Department of Revenue at 1-877-252-3052.

### Who Must File a North Carolina Partnership Tax Return?

A partnership doing business in North Carolina that is required to file a federal partnership return must file a N.C. partnership tax return, Form D-403, for the taxable year. The term "partnership" includes a limited liability company that is classified for federal income tax purposes as a partnership as well as a publicly traded partnership whereby the partners' distributive share of the partnership's net income during the tax year is more than five hundred dollars (\$500.00).

### What Does "Doing Business in North Carolina" Mean?

The term "doing business in North Carolina" means the operation of any business enterprise or activity in North Carolina for economic gain, including, but not limited to, the following:

- The maintenance of an office or other place of business in North Carolina;
- The maintenance in North Carolina of an inventory of merchandise or material for sale, distribution or manufacture, regardless of whether kept on the premises of the taxpayer or in a public or rented warehouse;
- The selling or distributing of merchandise to customers in North Carolina directly from a company-owned or operated vehicle when title to the merchandise is transferred from the seller or distributor to the customer at the time of the sale or distribution;
- The rendering of a service to clients or customers in North Carolina by agents or employees of a foreign partnership;
- The owning, renting, or operating of business or income-producing property in North Carolina including, but not limited to, the following:
  - (A) Realty;
  - (B) Tangible personal property;
  - (C) Trademarks, tradenames, franchise rights, computer programs, copyrights, patented processes, licenses.

In addition, a partnership that is a partner in another partnership or joint venture operating in North Carolina is considered to be "doing business in North Carolina." **Exception:** A partnership whose only activity is as an investment partnership is not considered to be "doing business in North Carolina" and is not required to file a return in North Carolina or pay income tax to the State on behalf of its nonresident partners. *(For more information on investment partnerships, see North Carolina Administrative Code 17 NCAC 06B .3503.)*

### Can a Partnership Elect to Pay Income Tax at the Entity Level?

For tax years beginning on or after January 1, 2022, an eligible partnership that is required to file a N.C. partnership tax return can elect to pay N.C. income tax at the entity level (a "Taxed Partnership"). An eligible partnership is defined as a domestic partnership, a foreign partnership, or a limited liability company ("LLC") that is classified for federal income tax purposes as a partnership. **Important:** The following partnerships are not eligible to make the election to be a Taxed Partnership:

- A publicly traded partnership that is described in section 7704(c) of the Internal Revenue Code ("Code").
- A partnership that has at any time during the taxable year a partner who is not one of the following:
  - (1) An individual.
  - (2) An estate.
  - (3) A trust described in section 1361(c)(2) of the Code.
  - (4) An organization described in section 1361(c)(6) of the Code.

## How Can a Partnership Make an Election to be a Taxed Partnership?

An eligible partnership can make the election to be a Taxed Partnership by filling in the appropriate circle on page 1 of Form D-403. The election is for the tax year covered by the tax return. **Important:** The election must be made by the eligible partnership by the due date of the N.C. partnership tax return, including extensions. *(For more information, see page 9 of these instructions.)*

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## Does a Partnership Have a Requirement to Pay Income Tax?

Generally, a partnership required to file a N.C. partnership tax return that has one or more nonresident partners is required to compute and pay the tax due on behalf of each nonresident partner. If the nonresident partner is a corporation, partnership, trust, or estate, the partnership is not required to pay the tax on that partner's share of the partnership income provided the partner files Form NC-NPA, Nonresident Partner Affirmation, by the due date of the partnership tax return. **Important:** If an eligible partnership makes the election to be a Taxed Partnership, the partnership is required to compute and pay tax at the entity level. *(For additional details, see page 3 of these instructions.)*

**Form NC-NPA.** Form NC-NPA affirms that either the partner is not subject to N.C. income tax or that the partner will pay N.C. income tax with its corporation, partnership, trust, or estate income tax return. In such cases, a copy of Form NC-NPA must be attached to the partnership tax return when it is originally filed. Form NC-NPA must be signed by the partner. An unsigned form is not considered valid. A new Form NC-NPA must be provided annually by the nonresident partner and submitted by the partnership on or before the due date of the partnership return. The signed Form NC-NPA applies to the original return, any amended return for that year, and any proposed assessments of additional tax for that year. **Important:** A nonresident partner that is an individual or grantor trust does not qualify to file Form NC-NPA, and the partnership is required to compute and pay the tax due for all nonresident partners that are individuals or grantor trusts.

**Note:** Form NC-NPA is not applicable to partners of a Taxed Partnership.

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## Is a Nonresident Partner Required to File a N.C. Income Tax Return?

A nonresident individual partner is not required to file a N.C. income tax return when the only income from N.C. sources is the nonresident's share of income from a partnership doing business in North Carolina, and the partnership pays the full amount of tax payable as shown on the partnership tax return. **Note:** This guidance also applies to nonresident individual partners of a Taxed Partnership.

Payment of the tax due by the partnership does not relieve partners who are corporations, partnerships, trusts, or estates from their requirement to file a N.C. tax return.

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## Is a Nonresident Partner Allowed a N.C. Credit for Income Tax Paid by the Partnership?

On the partner's N.C. tax return, a nonresident partner may claim a credit for N.C. income tax paid by the partnership on behalf of the nonresident partner. **Note:** A Taxed Partnership that elects to pay N.C. income tax at the entity level is not making a payment on behalf of a partner; therefore, a partner in a Taxed Partnership cannot claim a credit for N.C. income tax paid by the Taxed Partnership.

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## Is a Partnership Required to Pay Estimated Income Tax?

A Taxed Partnership is generally required to make estimated income tax payments if the Taxed Partnership expects to have a N.C. income tax liability of \$500 or more. A partnership that did not make the election to be a Taxed Partnership is not required to pay estimated income tax. *(For more information, see Form NC-40 PTE available on the Department's website.)*

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## What Tax Credits are Available to Partnerships?

All tax credits available to an individual are available to a partnership with the exception of the credit for income taxes paid to other states. **Note:** This credit is available to Taxed Partnerships. *(For more information on N.C. tax credits, see page 14 of these instructions.)*

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## Will a Partnership Owe Interest?

**Interest.** If a partnership does not pay the total amount of taxes owed, the Department is required to charge interest on any unpaid tax. Interest is computed at the applicable rate from the original due date to the date of payment, regardless of whether the partnership has been granted an extension. To obtain the current interest rate, visit the Department's website.

If the partnership pays N.C. income tax after the original due date, compute the amount of interest due and include the interest on Form D-403, Part 1, Line 21b.

**Interest on the Underpayment of Estimated Income Tax.** A Taxed Partnership may be subject to interest on the underpayment of estimated income tax if the partnership does not pay enough estimated income tax or the estimated income tax is paid late. The interest may apply even if the partnership does not owe additional income tax or is due a refund. To determine if the partnership owes interest on the underpayment of estimated income tax, complete Form CD-429B, Underpayment of Estimated Tax by C-Corporations.

Form CD-429B is available on the Department's website.

*(For information on exceptions to underpayment of estimated tax, see the instructions for Line 21c on page 11.)*

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## Will a Partnership Owe Penalties?

**Failure to File Penalty.** A partnership tax return filed after the original or extended due date of the return (whichever is later) is subject to a penalty of 5 percent (5%) of the net tax due for each month, or part of a month, the return is late (maximum 25 percent (25%)).

**Failure to Pay Penalty.** A partnership tax return filed after the original due date of the return is subject to a late payment penalty. Effective for assessments dated on or after January 1, 2023, the applicable penalty rate is five percent (5%) of the net tax due, regardless of how late the tax is paid.

If the partnership received a state extension to file its N.C. partnership tax return and the partnership paid at least 90 percent (90%) of the tax due by the original due date, the partnership will not be automatically penalized for late payment. If the 90 percent (90%) rule is met, any remaining balance due, including interest, must be paid with the partnership tax return on or before the extended due date to avoid the late payment penalty.

**Failure to File an Informational Return.** A partnership tax return filed after the original or extended due date (whichever is later) is also subject to a penalty of \$50 per day with a maximum of \$1,000. The penalty for failure to file an informational return applies regardless of whether the partnership owes tax or is due a refund.

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## What is the Tax Rate?

For tax year 2022, the individual income tax rate is 4.99%. Partnerships are subject to the same tax rate as individuals.

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## What Forms Should a Partnership File?

**Form D-403.** All partnerships required to file a N.C. tax return must file Form D-403, using the same tax year the partnership used for federal income tax purposes. **Important:** The partnership must file a Form D-403 for the form year in which the tax year begins. For example, a partnership whose tax year begins January 1, 2022, must use the 2022 Form D-403.

The 2022 Form D-403 may also be used if:

- The partnership has a tax year of less than 12 months that begins in 2022. **Important:** If

## What Forms Should a Partnership File? (Continued)

the partnership's tax year is less than 12 months, fill in the beginning and ending dates for the tax year and fill-in the "Short Period" circle located on page 1 of Form D-403.

- The 2023 Form D-403 is not available at the time the partnership is required to file its tax return.

Form D-403 must contain all of the information required by the Secretary, including the partnership's gross income, the deductions allowed under the Internal Revenue Code ("Code"), each partner's distributive share of the partnership's income, and any N.C. adjustments. Importantly, for N.C. tax purposes, a partner's distributive share of income includes any guaranteed payments made to the partner from the partnership.

**Important:** With the exception of Part 5 and Part 6, attachments may not be used as a substitute for completing Form D-403. If supporting documents are required, taxpayers who mail a paper copy of Form D-403 to the Department must attach the supporting documents behind the tax return. The supporting documents must contain all required information (including the partnership's federal identification number), follow the format of the official schedules, and must be attached in the same sequence as the schedules appear on Form D-403.

**Form NC-PE.** Every partnership that is required to add certain N.C. adjustments to the partnership's total income (or loss), or is allowed to deduct certain N.C. adjustments from the partnership's total income (or loss), must complete Form NC-PE and attach it to Form D-403. *(For more information, see the instructions for Part 7 on page 14.)*

**Form D-403TC.** Every partnership entitled to claim a tax credit must complete Form D-403TC and attach it to Form D-403 if the partnership has either (1) allocated some or all of the tax credit to its nonresident owners or partners on whose behalf the partnership is required to pay N.C. income tax, or (2) applied a partner's distributive share of the tax credit against the partner's distributive share of the Taxed Partnership's income tax. The partnership may also have a requirement to attached Form NC-478 or Form NC-Rehab to Form D-403. *(For more information, see pages 9 and 14 of these instructions.)*

**Form NC-NPA.** A nonresident partner that does not wish for the partnership to calculate and pay N.C. tax due on behalf of the partner, must complete Form NC-NPA and provide the completed form to the partnership. Form NC-NPA affirms that either the partner is not subject to N.C. income tax or that the partner will pay the tax with its corporation, partnership, trust, or estate income tax return. The Form NC-NPA must be signed by the partner. An unsigned form is not considered valid. **Important:** A nonresident partner that is an individual or grantor trust does not qualify to file Form NC-NPA, and the partnership is required to compute and pay the tax due for all nonresident partners that are individuals or grantor trusts. *(For more information, see Form NC-NPA available on the the Department's website.)*

**Note:** Form NC-NPA is not applicable to partners of a Taxed Partnership.

**Form NC K-1.** Every partnership required to file a N.C. partnership tax return must prepare and give a Form NC K-1 to every person who was a partner in the partnership at any time during the year. Form NC K-1 is used to report each partner's share of the partnership's income, adjustments, tax credits, etc. **Important:** Form NC K-1 must be provided to each partner on or before the day on which the N.C. partnership return is required to be filed. *(For more information, see Form NC K-1 available on the Department's website.)*

**NC K-1 Supplemental Schedule.** Every partnership that reports N.C. additions or N.C. deductions to a partner on Form NC K-1 must prepare and give NC K-1 Supplemental Schedule to that partner. This form provides the partner with information necessary for the partner to prepare its appropriate N.C. tax return. *(For more information, see NC K-1 Supplemental Schedule available on the Department's website.)*

**Important:** Any facsimile or substitute form must be approved by the Department of Revenue prior to its use. If you use computer-generated returns, the software company is responsible for requesting approval and receiving an assigned identification number. The Department publishes a list of software developers who have received approval on our website. Photocopies of the return are not acceptable. **Returns that cannot be processed by the Department's imaging and scanning equipment will be returned to the taxpayer with instructions to refile on an acceptable form.**

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## When Must the Return be Filed?

A partnership tax return must be filed on or before the 15th day of the 4th month following the date the partnership's tax year ended. For example, for calendar year partnerships, the due date is April 15th. **Note:** When the due date of the partnership tax return falls on a Saturday, Sunday, or a legal holiday in N.C. or in the District of Columbia, a return filed by the next business day after the Saturday, Sunday, or legal holiday will be considered timely filed. For example, in 2023, April 15 lands on Saturday and Emancipation Day, a legal holiday in the District of Columbia, will be observed on Monday, April 17, 2023. If a calendar year partnership electronically files (or postmarks) its N.C. partnership tax return on or before April 18, 2023, the return will be considered timely filed. *(For more information on timely mailing of N.C. tax returns, see Directive TA-18-1 available on the Department's website.)*

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## Can a Partnership Get an Extension to File?

A partnership that receives an automatic extension to file its federal income tax return will be granted an automatic state extension to file its N.C. partnership tax return. In order to receive the automatic state extension, the partnership **MUST** fill in the "Federal Extension" circle on page 1 of Form D-403. A partnership that fails to certify on the N.C. tax return that the partnership was granted a federal extension is subject to applicable penalties.

If a partnership is not granted an automatic federal extension to file the federal partnership tax return, the partnership may still request an extension of time to file Form D-403 by filing Form D-410P, Application for Extension for Filing Partnership, Estate, or Trust Tax Return, by the original due date of the N.C. partnership tax return. **Important:** Without a valid extension, a N.C. partnership tax return filed after the original due date is delinquent and is subject to interest and all applicable penalties provided by law. In addition, the partnership will not be eligible to make the election to be a Taxed Partnership..

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## Where Do I File the Return?

If a partnership chooses not to eFile its N.C. partnership tax return, the return (and any payment due) must be mailed to the following address:

**N.C. DEPARTMENT OF REVENUE  
P.O. BOX 25000  
RALEIGH, NC 27640-0640**

For information on eFile for businesses, visit the Department's website.

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## Who Can Sign the Return?

The partnership tax return must be signed by the managing partner. If the return is prepared by a person or firm other than a partner, it must also be signed by the individual preparing the return. If the partnership is a limited partnership, the return must be signed by a general partner. The managing partner should provide a telephone number where the general partner may be reached during the day if the Department needs additional information to process the return.

If the partnership wants to allow a paid preparer to discuss certain tax matters with the Department, the managing partner must check the applicable box located in the signature area on page 6 of Form D-403. If the box is checked, the managing partner is authorizing the Department to call the paid preparer to answer any questions that may arise during the processing of the return. The managing partner is also authorizing the paid preparer to:

- Give the Department any information that is missing from the return;
- Call the Department for information about the processing of the return or the status of the refund or payment(s);
- Receive copies of notices or transcripts related to the return, upon request; and
- Respond to proposed notices of assessment or notices of adjustment.

**Important:** The managing partner is not authorizing the paid preparer to receive any refund check, bind the partnership to anything (including any additional tax liability), or otherwise represent the partnership before the Department regarding audit activity or a request for a Departmental review of a proposed assessment or a proposed denial of refund. Those types of matters require a Power of Attorney, GEN-58, to be filed with the Department. Paid preparer authority is extended only to an individual paid preparer, not to employees of a company. *(For more information on Power of Attorney, visit the Department's website.)*

## How Can Additional Tax be Paid?

If the partnership owes N.C. income tax, the Department offers the following payment options:

### Electronic

- A partnership that uses approved eFile software to file its partnership tax return can generally pay income tax due electronically (provided the eFile software vendor supports an option to pay). **Note:** Check the Department's website for a list of approved eFile software products.
- A partnership can pay income tax due electronically using the Department's website. To pay income tax via the Department's website, select "File & Pay" and then select "Partnership Tax" under "Tax Category." **Note:** The partnership can pay tax by bank draft (without a convenience fee), or by credit or debit card (with a convenience fee).

### Mail

A partnership can pay income tax by paper check. **Do not send cash.** The Department will not accept a check, money order, or cashier's check unless it is drawn on a U.S. (domestic) bank and the funds are payable in U.S. dollars. Make the partnership's check or money order payable to the N.C. Department of Revenue for the full amount due. Write "2022 D-403" and the partnership's name, address, and the last 4 digits of its federal employer identification number on the payment.

If the partnership elects to file its Form D-403 by mail, staple the payment to the form. If the partnership eFiles Form D-403 and wishes to mail a paper check, the partnership must complete a payment voucher, Form D-403V. **Note:** Form D-403V is available from the Department's website.

Mail the applicable form(s) and the paper check to the following address:

**N.C. DEPARTMENT OF REVENUE  
P.O. BOX 25000  
RALEIGH, NC 27640-0640**



## Instructions for Form D-403, Partnership Income Tax Return

If you are filling out Form D-403 by hand, please use black or blue ink only. Do not use red ink or pencil. Print your letters and numbers neatly. If you do not have an entry for a particular line, leave it blank. Do not use dashes, zeros or other symbols to indicate that you have no entry for that line. *(For more information on how to avoid common mistakes when filing the partnership's tax return, see "Before You Begin" on page 2 of these instructions.)*

### Demographic and Other Taxpayer Information

**Name, Address, and Identification Numbers.** Enter the partnership's name, address, Federal Employer Identification Number, and N.C. Secretary of State number (when applicable) on the appropriate lines.

**Initial Return.** If this is the partnership's first return in N.C., fill in the circle on page 1 of Form D-403.

**Amended Return.** If this is an amended return, fill in the circle on page 1 of Form D-403. **Note:** The partnership must provide a complete explanation as to the reason(s) for filing an amended return, including specific schedule and line number references, in the space provided on page 5 of Form D-403. *(For more information on filing an amended return, see page 16 of these instructions.)*

**Final Return.** If this is the partnership's final return in North Carolina because the partnership terminated or ceased doing business in North Carolina during the tax year, fill in the circle on page 1 of Form D-403.

**Short Period.** If this is neither the partnership's initial return nor the partnership's final return, and the partnership has a tax year of less than 12 months, fill in the circle on page 1 of Form D-403.

**Partnership is LLC.** If the entity is an LLC and is classified as a partnership for federal income tax purposes, fill in the circle on page 1 of Form D-403.

**Partnership has Nonresident Owners.** If the partnership has one or more nonresident owners, fill in the circle on page 1 of Form D-403.

**NC-NPAs Attached.** A partnership not required to pay income tax on behalf of qualifying nonresident partners must attach Form NC-NPA completed by each such nonresident partner. *(Form NC-NPA is available from the Department's website.)*

If the partnership has attached any Form NC-NPAs to Form D-403, fill in the circle on page 1 of Form D-403.

**NC-478 Attached.** A partnership taking a credit limited by statute to 50% of tax must complete Form NC-478 and attach it to the front of the completed Form D-403. *(Form NC-478 is available from the Department's website.)*

If the partnership has attached Form NC-478 to Form D-403, fill in the circle on page 1 of Form D-403.

**Publicly Traded Partnership.** If the partnership is a "publicly traded partnership" as described in IRC section 7704(c), fill in the circle on page 1 of Form D-403.

**NC-PE Attached.** A partnership adding N.C. additions to federal

income (or loss) or deducting N.C. deductions from federal income (or loss) must complete Form NC-PE and attach it to the completed Form D-403. *(Form NC-PE is available from the Department's website.)*

If the partnership has attached Form NC-PE to Form D-403, fill in the circle on page 1 of Form D-403.

**N.C. Education Endowment Fund Contribution.** A partnership may elect to contribute to the N.C. Education Endowment Fund by making a contribution to the fund. To make a contribution, simply enclose Form NC-EDU and the partnership's payment with the partnership's Form D-403. If the partnership owes additional income tax on its return and would like to make a contribution to the fund, the partnership may write one check and enclose the check with both Form NC-EDU and Form D-403V. To designate part of the partnership's overpayment to the N.C. Education Endowment Fund, see the instructions for Form D-403, Part 1, Line 26 on page 11.

**Taxed Partnership.** All partnerships must fill in one circle answering either "Yes" or "No" to the "Taxed Partnership" question on page 1 of Form D-403. The Taxed Partnership question must be answered by all partnerships, not just partnerships that are eligible to make the Taxed Partnership election for the tax year. **Important:** If a partnership does not answer "Yes" to the Taxed Partnership question, the partnership is **NOT** a Taxed Partnership for the tax year.

**Note:** If the partnership makes a Taxed Partnership election for the tax year, the election is binding on **all** partners for the tax year. *(For more information, see page 3 of these instructions)*

**Federal Extension.** All partnerships must fill in one circle answering either "Yes" or "No" to the "Federal Extension" question on page 1 of Form D-403. This question must be answered by all partnerships, not just partnerships that are granted an automatic extension to file federal Form 1065. **Important:** If the partnership does not answer "Yes" to the Federal Extension question, the partnership is subject to applicable late filing penalties. *(For more information on late filing penalties, see page 5 of these instructions.)*

## Part 1. Informational Return and Tax Due for Nonresident Partners or Taxed Partnership

### Lines 1 through 10

**All partnerships complete these lines.**

**Line 1. Income (Loss).** Enter the income (or loss) for the partnership for the tax year. Before making this entry, you must complete Part 5 and Part 6 of Form D-403. *(For more information, see page 13 of these instructions.)* **If you are filling out the handwritten version of Form D-403, and the amount on Line 1 is negative, fill in the circle located next to Line 1.**

**Line 2. Guaranteed Payments to Partners.** Enter the total amount of guaranteed payments made to all partners for services or for the use of capital.

**Line 4. Additions to Income (Loss).** Enter the amount of N.C. adjustments required to be added to federal income (or loss). Before making this entry, you must review Form NC-PE to determine if the partnership is required to add specific N.C. adjustments to federal income (or loss). *(For more information on adjustments to income*

(loss), see page 14 of these instructions.)

**Line 6. Deductions from Income (Loss).** Enter amount of N.C. adjustments allowed to be deducted from federal income (or loss). Before making this entry, you should review Form NC-PE to determine if the partnership is allowed to deduct specific N.C. adjustments from federal income (or loss). *(For more information on adjustments to income (loss), see page 14 of these instructions.)*

**Line 8. Nonapportionable Net Distributive Partnership Income (Loss).** When a partnership has income from sources within N.C. as well as sources outside N.C. a determination of apportionable and nonapportionable income must be made.

If the partnership's business is conducted entirely within N.C., leave Line 8 blank. If the partnership's business is conducted both within and outside of N.C., enter the amount of nonapportionable income (or loss) on Line 8. Before making this entry, the partnership must complete Part 3 of Form D-403. *(For more information, see page 12 of these instructions.)* **If you are filling out the handwritten version of Form D-403, and the amount on Line 8 is negative, fill in the circle located next to Line 8.**

**Line 10. Nonapportionable Net Distributive Partnership Income (Loss) Allocated to N.C.** When a partnership has income from sources within N.C. as well as sources outside N.C. a determination of apportionable and nonapportionable income must be made.

If the partnership's business is conducted entirely within N.C., leave Line 10 blank. If the partnership's business is conducted both within and outside of N.C., enter the amount of nonapportionable income (or loss) directly allocated to N.C. on Line 10. Before making this entry, the partnership must complete Part 3 of Form D-403. *(For more information, see page 12 of these instructions.)* **If you are filling out the handwritten version of Form D-403, and the amount on Line 10 is negative, fill in the circle located next to Line 10.**

### Lines 11 through 13

**Partnerships that have one or more nonresident partners or Taxed Partnerships complete these lines if the partnership has N.C. tax due. Before making any entries on these lines, you must complete Part 4 of Form D-403 and any applicable forms or schedules.**

**Line 11. Tax Due for Nonresident Partners or Taxed Partnership.** Enter the amount of N.C. income tax due. *(For more information, see instructions starting on page 12 for Part 4.)*

**Line 12. Tax Credits Allocated to Nonresident Partners or Taxed Partnership.** Enter the amount of tax credits the partnership is entitled to claim. *(For more information, see instructions starting on page 12 for Part 4.)*

**Important:** If a tax credit is claimed on Line 12, Form D-403TC must be filed with Form D-403. Failure to attach Form D-403TC to Form D-403 may result in the disallowance of a tax credit.

**Line 13. Net Tax Due for Nonresident Partners or Taxed Partnership.** Enter the amount of net tax due. *(For more information, see instructions starting on page 12 for Part 4.)*

### Lines 14 through 27

**All partnerships that are due a refund or that owe N.C. tax, interest or penalties must complete these lines.**

#### Line 14. Payments.

**a. Extension.** If the partnership filed Form D-410P, Application for Extension for Filing 2022 Partnership Tax Return, enter the amount paid with the application on Line 14a.

**b. Other Partnerships.** If, for tax year 2022, the partnership had N.C. income tax paid on its behalf by other partnerships, enter the total amount paid on Line 14b. The partnership must attach all Form NC K-1s received from other partnership(s) to the partnership's Form D-403.

**c. Withholding from Services.** If the partnership had N.C. income tax withheld from compensation earned for services performed in N.C. during tax year 2022, enter the following on Line 14(c):

- If the partnership **IS NOT** a Taxed Partnership, enter the amount of N.C. income tax withheld attributable to nonresident partners on whose behalf the partnership is required to pay N.C. income tax.
- If the partnership **IS** a Taxed Partnership, enter the total amount of N.C. income tax withheld.

The partnership must attach to its Form D-403, all 1099 forms received by the partnership that report N.C. tax withheld.

**d. Other.** If the partnership made payments of N.C. income tax not specifically listed on Lines 14a through 14c, (including estimated income tax payments), enter the total amount paid on Line 14d.

**Line 15. Additional Payments (Amended Returns Only).** For more information, see page 16 of these instructions.

**Line 17. Previous Refunds (Amended Returns Only).** For more information, see page 16 of these instructions.

**Line 19. Tax Due.** If Line 18 is less than Line 13, **the partnership owes additional N.C. income tax.** Subtract Line 18 from Line 13 and enter the result on Line 19.

**Line 20. Overpayment Before Penalties and Interest.** If Line 18 is greater than Line 13, **the partnership has overpaid its tax.** Subtract Line 13 from Line 18 and enter the amount of the overpayment on Line 20.

**Line 21a. Penalties.** Enter the total amount of penalty due for the partnership for tax year 2022. By law, the Department may impose penalties against a taxpayer for failure to comply with the tax statutes. Statutory penalties include, but are not limited to, the following:

- **Failure to timely file an informational return on the date it is due (\$50 per day with a maximum of \$1,000)** This penalty applies to every partnership return filed after the due date of the return, regardless of whether the return reflects a tax due, an overpayment, or no tax due.
- **Failure to timely file a tax return on the date it is due (5% per month with a maximum of 25% on the amount of net tax due)**
- **Failure to pay tax when due (5% of the net tax due, regardless of how late the tax is paid)**

(For more information on penalties that apply to partnerships, see page 5 of these instructions.)

**Line 21b. Interest.** If additional income tax is due on Line 19, compute the amount of interest due at the rate established by G.S. 105-241.21. Interest is charged on taxes paid after the original due date even if an extension of time to file is granted. The rate is established semiannually by the Secretary of Revenue and is listed on the Department's website.

**Line 21c. Interest on the Underpayment of Estimated Income Tax.** A Taxed Partnership that can reasonably expect to have a N.C. income tax liability of at least \$500 is required to pay estimated tax payments in the same manner as a C corporation. **Important:** A partnership that did not make the election to be a Taxed Partnership is not subject to interest on the underpayment of estimated income tax.

A Taxed Partnership that does not timely pay the required amount of estimated income tax may be subject to interest on the underpayment. To determine if interest is due, complete Form CD-429B, "Underpayment of Estimated Tax by C Corporations." **Important:** A Taxed Partnership may be able to reduce or eliminate underpayment interest if the Taxed Partnership qualifies for one of the exceptions provided by N.C. law. (For more information on these exceptions, see "Exceptions to Underpayment of Estimated Tax," below.)

If the Taxed Partnership owes interest on the underpayment of estimated tax, enter the amount of interest on Line 21c. **Note:** Underpayment interest will increase the tax liability of the Taxed Partnership or reduce its overpayment.

**Exceptions to Underpayment of Estimated Tax.** In certain cases, a Taxed Partnership may reduce or eliminate underpayment interest. If any of the following exceptions apply, enter the applicable code in the "exceptions box" located above Line 21c. Also enter the amount of underpayment interest due, if any, on Line 21c. **Note:** If no underpayment interest is due, leave Line 21c blank.

- **Not a Taxed Partnership in Prior Year.** If the Taxed Partnership did not make the election to be a Taxed Partnership in N.C. during the preceding tax year, the Taxed Partnership is not subject to estimated tax interest. **Note:** Under N.C. law, a partnership was not permitted to make the election to be a Taxed Partnership prior to January 1, 2022.

If this exception applies, enter a "P" in the "exceptions box" located above Line 21c, and leave Line 21c blank.

- **Short Taxable Year.** If the Taxed Partnership's tax year is less than four months, or if the requirements to make an estimated tax payment were not met before the first day of the last month in the short tax year, the Taxed Partnership is not subject to estimated tax interest.

If this exception applies, enter an "S" in the "exceptions box" located above Line 21c, and leave Line 21c blank.

- **Annualized Income.** If the Taxed Partnership annualized its taxable income for the tax year, the partnership may be able to reduce or eliminate underpayment interest.

If this exception applies, enter an "A" in the "exceptions box" located above Line 21c, and enter the amount of underpayment interest due, if any, on Line 21c.

**Line 22. Amount Due.** This is the total amount of tax, penalties, and interest due for the tax year.

The partnership can pay the amount due online using the

Department's website or mail a check or money order to the Department. (For additional details, see page 8 of these instructions.)

**Line 23. Overpayment After Penalties and Interest.** See the instructions in the box located above Line 22 of Form D-403.

**Line 24. Estimated Income Tax.** If the partnership has overpaid its tax for the tax year, the partnership may elect to have a portion of its overpayment applied to its estimated tax for the following year by entering the amount to be applied on Line 24. **The election to apply any overpayment to 2023 cannot be changed after the 2022 return is filed.**

**Note:** For a calendar year Taxed Partnership, the last allowable date to make a 2023 estimated income tax payment is December 15, 2023. Therefore, to apply the 2022 refund to tax year 2023, the partnership must file its 2022 tax return by December 15, 2023.

**Line 25. N.C. Nongame and Endangered Wildlife Fund.** A partnership may elect to contribute part or all of its overpayment to the North Carolina Nongame and Endangered Wildlife Fund (Wildlife Fund). The tax deductible contribution is essential to match private and federal grants to pay for conservation projects from sea turtles to songbirds, and native fish to bats. Conserving these species and their habitat is made possible by contributions. Donations provide most of the funds for conservation of North Carolina's endangered species and native backyard wildlife.

If the partnership wishes to contribute to the Wildlife Fund, enter the amount of the contribution on Line 25. **The election to contribute to the Wildlife Fund can not be changed after the return is filed.** If the partnership is not due a refund, it may still contribute to this Wildlife Fund by mailing a donation directly to:

North Carolina Wildlife Resources Commission  
1702 Mail Service Center  
Raleigh, North Carolina 27699-1700

Checks should be made payable to the Nongame & Endangered Wildlife Fund. For more information about the Fund, check out [www.ncwildlife.org/Give-Donate](http://www.ncwildlife.org/Give-Donate).

**Line 26. N.C. Education Endowment Fund.** The North Carolina Education Endowment Fund (N.C. Education Fund) was created to provide additional support and funding for K-12 public schools. If the partnership wishes to contribute part or all of its overpayment to the N.C. Education Fund, enter the amount of the contribution on Line 26. **The election to contribute to the N.C. Education Fund can not be changed after the return is filed.**

If the partnership is not due a refund, it may still contribute to the N.C. Education Fund by (1) making a contribution with its tax return, or (2) mailing a donation directly to the State.

If the partnership makes a contribution with its tax return, the partnership **MUST** send a Form NC-EDU (N.C. Education Fund Payment Voucher), along with its contribution. Form NC-EDU is a personalized voucher that allows the Department to process the contribution accurately and efficiently with fewer errors. To generate Form NC-EDU, visit the Department's website.

If the partnership wishes to make a donation directly to the State, mail the contribution to:

North Carolina Department of Public Instruction, Cash Collections  
6336 Mail Service Center,  
Raleigh, N.C. 27699-6336

**Line 27. Amount to be Refunded.** Enter the amount of overpayment

to be refunded on Line 27. The amount to be refunded cannot exceed Line 23 minus the total of Lines 24, 25, and 26.

## Part 2. Apportionment Percentage for Partnerships That Have One or More Nonresident Partners

A partnership with one or more nonresident partners whose business activities in N.C. are unified and integrated with its business activities in other states is required to apportion its partnership income to N.C. by multiplying the income by a fraction, the numerator of which is the total sales of the partnership within N.C., and the denominator of which is the total sales of the partnership everywhere during the income year. *(For more information on the apportionment and allocation of income by a multi-state partnership, see Directive PD-14-02, available from the Department's website.)*

If the partnership is required to apportion its income, complete Part 2. *(For more information on calculating the apportionment factor, see the instructions for completing Form CD-405, C Corporation Tax Return which is available on the Department's website.)*

**Important:** Special apportionment formulas apply to certain types of businesses. The Department refers to the North American Industry Classification System (NAICS) as a means of determining whether a taxpayer's business operations require the use of a special apportionment formula. *(For more information on special apportionment formulas, see the instructions for completing Form CD-405, C-Corporation Tax Return, which is available from the Department's website.)*

## Part 3. Nonapportionable Net Distributive Partnership Income (Loss)

"Nonapportionable income" means all income other than apportionable income. "Apportionable income" means all income that is apportionable under the U.S. Constitution. Nonapportionable income is not subject to apportionment, but is allocated.

If the partnership has income (or loss) classified as nonapportionable income (or loss), complete Part 3. *(For more information on what types of income may be classified as nonapportionable, see the instructions for completing Form CD-405, C-Corporation Tax Return, which is available from the Department's website.)*

## Part 4. Partner Information and Tax Calculation for Nonresident Partners and Taxed Partnerships

### A. Partner's Share of Income, Adjustments, Tax Credits, and Other Items

**All partnerships must complete Part A.**

**Lines 1 through 3.** Enter each partner's identification number, name, and address.

**Line 4.** Enter each partner's percentage share of profit and loss used for federal income tax purposes. *(From partner's federal Schedule K-1 for Form 1065)* **Note:** If a partner's percentage share of profit

is not the same as the partner's percentage share of loss, write "various" on Line 4 and attach a schedule to Form D-403 that lists each partner's percentage share of profit and loss.

**Line 5.** Enter each partner's entity type (i.e. individual, corporation, partnership, IRA/retirement plan, non-profit, trust, estate, etc.) If the partner is a disregarded entity, such as a single member LLC that did not elect to be treated as a corporation, enter the entity type of the owner. If the partner is a grantor trust, enter the entity type of the grantor (or such other person) who is taxed directly on the income or other tax attributes of the trust.

**Line 6.** Enter each partner's share of the additions to income from Part 1, Line 4.

**Line 7.** Enter each partner's share of the deductions from income from Part 1, Line 6.

**Line 8.** Enter each partner's share of tax credits passed through to the partner. **Important:** If a Taxed Partnership qualified for the tax credit, the tax credit **CANNOT** be passed through to its partners. **DO NOT** include the tax credit on Line 8. *(For additional details, see G.S. 105-154.1.)*

**NC Resident.** All partnerships must fill in one circle for each partner answering either "Yes" or "No" to the "NC Resident" question located under Line 8 of Part A. **Note:** If the partnership does not answer the NC Resident question, the Department may assess the partnership additional tax based on the N.C. taxable income of the partner.

## B. North Carolina Taxable Income for Nonresident Partners

**All partnerships must complete Part B for each nonresident partner.**

**Line 9.** Enter each nonresident partner's distributive share of guaranteed payments applicable to income reported on Part 1, Line 9.

**Line 14.** Enter each nonresident partner's distributive share of guaranteed payments applicable to income reported on Part 1, Line 10.

**Line 16.** Enter each nonresident partner's distributive share of partnership income required to be separately stated for federal income tax purposes if the income is **NOT** included in the amount reported on Part 1, Line 1. *(For more information, see the instructions for federal Form 1065.)*

## C. Net Tax Due for Nonresident Partners on Whose Behalf the Partnership Pays the Tax

**All partnerships that did not elect to be a Taxed Partnership must complete Part C for each nonresident partner.**

**NC-NPA Form Attached.** For each nonresident partner, a partnership that did not elect to be a Taxed Partnership must fill in one circle answering either "Yes" or "No" to the "NC-NPA Form Attached" question located under Line 20 of Part C. If the partnership answers the question by filling in the "Yes" circle with respect to a qualifying nonresident partner, the partnership must attach Form NC-NPA completed by that nonresident partner to its Form D-403. **Important:** If a partnership does not answer "Yes" to the "NC-NPA Form Attached"

question, the partnership is required to calculate and pay N.C. tax due on behalf of the nonresident partner. If a partnership fails to attach a completed Form NC-NPA to its Form D-403, the Department may assess the partnership additional tax based on the N.C. taxable income of the partner. (For additional details, see page 6 of these instructions.)

**Line 18.** For each nonresident partner, enter the amount of N.C. tax due. (To calculate tax due, multiply each nonresident partner's share of N.C. taxable income by 4.99%.)

To calculate the Partners' Total, sum the amount of tax due for each nonresident partner. Enter the Partner's Total on Part 1, Line 11.

**Line 19.** For each nonresident partner, enter the amount of the partner's distributive share of tax credits that the partnership is eligible to take. Before making this entry, the partnership must complete Form D-403TC. (For more information on Form D-403TC, see page 14 of these instructions.)

To calculate the Partners' Total, sum the amount of tax credits for each nonresident partner. Enter the Partner's Total on Part 1, Line 12. **Important:** The amount reported in the Partners' Total column **MUST** equal the amount reported on Line 14 of Form D-403TC.

**Line 20.** For each nonresident partner, enter the amount of net tax due. (When filing an amended return, see page 17 of these instructions.)

To calculate the Partners' Total, sum the amount of net tax due for each nonresident partner. Enter the Partner's Total on Part 1, Line 13.

**Note:** The partnership must furnish each partner the information necessary for the partner to file its N.C. income tax return. (For more information, see Form NC K-1 and NC K-1 Supplemental Schedule, available from the Department's website.)

## D. Partners' Share of Taxed Partnership's Tax Credits and Other Items

**All Taxed Partnerships must complete Part D for each partner.**

**Lines 21 and 22.** Enter each partner's identification number and name.

**Line 23.** Enter each partner's distributive share of tax credits the Taxed Partnership is eligible to claim. **Important:** A Taxed Partnership cannot claim any tax credit required to be taken in installments if the first installment of the tax credit was taken in a taxable period for which an election to be a Taxed Partnership was not in effect. (For more information on tax credits and Taxed Partnerships, see G.S. 105-154.1(c)).

**NC Resident.** All Taxed Partnerships must fill in one circle for each partner answering either "Yes" or "No" to the "NC Resident" question located under Line 23 of Form D-403. **Note:** If the Taxed Partnership does not answer the NC Resident question, the Department may assess the Taxed Partnership additional tax based on the N.C. taxable income of the partner.

## E. Taxed Partnership's North Carolina Taxable Income for Nonresident Partners

**All Taxed Partnerships must complete Part E for each nonresident partner.**

**Line 24.** Enter each nonresident partner's distributive share of the

Taxed Partnership's N.C. taxable income. **Important:** The amount entered on Line 24 for each nonresident partner must equal the amount entered on Part 4, Line 17 for each nonresident partner.

## F. Taxed Partnership's North Carolina Taxable Income for Resident Partners

**All Taxed Partnerships must complete Part F for each resident partner.**

**Line 25.** Enter each resident partner's distributive share of guaranteed payments.

**Line 27.** Enter each resident partner's distributive share of partnership income required to be separately stated for federal income tax purposes if the income is **NOT** included in the amount reported on Part 1, Line 1. (For more information, see the instructions for federal Form 1065.)

## G. Taxed Partnership's Net Tax Due

**All Taxed Partnerships must complete Part G to compute the N.C. net tax due.**

**Line 30.** To calculate the Partners' Total, multiply the Taxed Partnership's North Carolina taxable income (Line 29) by 4.99%.

Enter the Partners' Total on Part 1, Line 11.

**Line 31.** Before entering an amount in the Partners' Total column, the partnership must complete Form D-403TC. (For more information on Form D-403TC, see page 14 of these instructions.)

Enter the Partners' Total on Part 1, Line 12.

**Line 32.** To calculate the Partners' Total, subtract Line 31 from Line 30. **Important:** Line 32 cannot be less than zero.

Enter the Partners' Total on Part 1, Line 13.

**Note:** The partnership must furnish each partner the information necessary for the partner to file its N.C. income tax return. (For more information, see Form NC K-1 and NC K-1 Supplemental Schedule, available from the Department's website.)

**Important:** If a N.C. resident partner of a Taxed Partnership is required to file an individual income tax return with another state or country and pay tax at the individual partner level to that other state or country, the N.C. resident partner may need additional information (such as the partner's pro rata share of Taxed Partnership's tax due) from the Taxed Partnership. Such additional information should be attached to the N.C. resident partner's Form NC K-1. (For additional details, see G.S. 105-153.9(a)(5).)

## Part 5. Ordinary Business Income (Loss)

The computation of net income from trade or business activities follows the determination of ordinary income as defined by the Internal Revenue Code. All partnerships must transfer the information from federal Form 1065, Lines 1 through 22 to Part 5, or attach a copy of federal Form 1065 and all supporting schedules to Form D-403.

## Part 6. Partners' Distributive Share Items

**Line 1.** Enter the ordinary business income (loss) of the partnership. **Note:** The amount entered on Line 1 must

equal the amount reported on Part 5, Line 22, or federal Form 1065, Line 22.

**Lines 2-11.** Enter the amounts reported on federal Form 1065, Schedule K, Lines 2 through 11.

**Note:** In lieu of completing Part 6, the partnership may attach a copy of federal Form 1065 and all supporting schedules to Form D-403.

## Part 7. Adjustments to Income (Loss)

When calculating N.C. taxable income, a partnership may be required (or allowed) to make certain N.C. adjustments to income (or loss). These adjustments are identical to the adjustments required of an individual who is required to file a N.C. individual income tax return.

If a partnership makes N.C. adjustments to income (or loss), it **MUST** complete Form NC-PE and attach the form to Form D-403. **Important:** Both pages of Form NC-PE must be attached to Form D-403, even if the partnership completes only one part of the form. Failure to attach both pages of the form may cause the Department to be unable to process the partnership tax return.

**Note:** Only adjustments allowed by N.C. law can be claimed by the partnership. Form NC-PE lists **ALL** N.C. adjustments permitted to an individual who is required to file a N.C. individual income tax return. If you do not see an item listed on Form NC-PE that you think should be an addition or deduction, you should contact the Department before making the adjustment.

## Instructions for Form D-403TC, Partnership Tax Credit Summary

Form D-403TC and, if applicable, Form NC-478, and Form NC-Rehab must be filed by every partnership eligible to take a tax credit or an installment of a tax credit against its N.C. tax due. In addition, the partnership must attach a schedule showing the computation of each tax credit claimed and each partner's distributive share of that tax credit.

**Important:** A Taxed Partnership that qualifies to claim a tax credit may apply each partner's distributive share of the Taxed Partnership's tax credit against the partner's distributive share of the Taxed Partnership's tax due. A Taxed Partnership **MAY NOT** claim a tax credit required to be taken in installments if the first installment of the tax credit was taken in a taxable period for which the election to be a Taxed Partnership was not in effect. *(For more information, see G.S. 105-154.1(c) and the Personal Taxes Bulletin, available from the Department's website.)*

**If the partnership claims a tax credit on Form D-403, Line 12, the partnership MUST attach Form D-403TC to Form D-403. If the partnership does not, the Department may be unable to process the partnership's return. Failure to substantiate a tax credit may result in the disallowance of the tax credit.**

## Part 1. Tax Credits Not Subject to 50% of Tax Limit

**Article 3D - Historic Rehabilitation Tax Credits.** To claim a tax credit on Line 1 or Line 2, the partnership must obtain an eligibility certification from the State Historic Preservation Office. *(For additional*

*information, see Article 3D of Chapter 105 and the Corporate Income Tax Bulletin, available from the Department's website.)*

**Line 1. Rehabilitating an Income-Producing Historic Structure.** Enter the installment amount of the tax credit for rehabilitating an income-producing historic structure. **Important:** If the partnership took the first installment of the tax credit in 2022, enter the amount of qualified rehabilitation expenditures on Part 4, Line 15. **DO NOT** enter an amount on Part 4, Line 15, when the partnership takes any future installment of the tax credit or takes any carryforward of an unused installment of the tax credit.

**Line 2. Rehabilitating a Nonincome-Producing Historic Structure.** Enter the installment amount of the tax credit for rehabilitating a nonincome-producing historic structure. **Important:** If the partnership took the first installment of the tax credit in 2022, enter the amount of rehabilitation expenses on Part 4, Line 16. **DO NOT** enter an amount on Part 4, Line 16, when the partnership takes any future installment of the tax credit or takes any carryforward of an unused installment of the tax credit.

**Article 3H - Mill Rehabilitation Tax Credit.** To claim a tax credit on Line 3 or Line 4, the partnership must obtain an eligibility certification from the State Historic Preservation Office. **Note:** When the eligible site is placed into service in two or more phases in different years, the amount of credit that may be claimed in a year is limited to the amount of expenses associated with the phase placed into service during that year. *(For additional information, see Article 3H of Chapter 105 and the Corporate Income Tax Bulletin, available from the Department's website.)*

**Line 3. Rehabilitating an Income-Producing Historic Mill Facility.** Enter the total amount of tax credit for rehabilitating an income-producing historic mill facility. **Important:** If partnership took the tax credit in tax year 2022, enter the amount of qualified rehabilitation expenditures on Part 4, Line 17. **DO NOT** enter an amount on Part 4, Line 17, when the partnership takes any carryforward of the unused tax credit.

**Line 4. Rehabilitating a Nonincome-Producing Historic Mill Facility.** Enter the installment amount of the tax credit for rehabilitating a nonincome-producing historic mill facility. **Important:** If the partnership took the first installment of the tax credit in 2022, enter the amount of rehabilitation expenses on Part 4, Line 18. **DO NOT** enter an amount on Part 4, Line 18, when the partnership takes any future installment of the tax credit or takes any carryforward of an unused installment of the tax credit.

**Article 3L - Historic Rehabilitation Tax Credits Investment Program.** To claim a tax credit on Line 5 or Line 6, the partnership must obtain an eligibility certification from the State Historic Preservation Office. **Note:** When an income-producing structure is placed into service in two or more phases in different years, the amount of credit that may be claimed in a year is limited to the amount of expenditures associated with the phase placed into service during that year. *(For additional information, see Article 3L of Chapter 105 and the Corporate Income Tax Bulletin, available from the Department's website.)*

**If the partnership claims a tax credit under Article 3L, the partnership MUST complete Form NC-Rehab and attach it to the front of Form D-403. If the partnership does not, the Department may be unable to process the partnership's return. Failure to substantiate a tax credit may result in the disallowance of the tax credit.**

**Line 5. Rehabilitating an Income-Producing Historic Structure.** Enter the total amount of tax credit for rehabilitating an income-producing historic structure. *(From Form NC-Rehab, Part 4, Line 23)*

**Line 6. Rehabilitating a Nonincome-Producing Historic Structure.** Enter the total amount of the tax credit for rehabilitating a nonincome-producing historic structure. *(From Form NC-Rehab, Part 4, Line 26.)*

**Line 7. Tax Credits Carried Over From Previous Year.** Enter the amount of tax credits carried over from previous tax years. **Important:** Do not include any carryover of income tax credits taken on Form NC-478 or Form NC-Rehab.

**Line 8. Credit for Income Tax Paid to Another State or Country.** Enter the total amount of tax credits for income tax paid to another state or country. *(From Part 5, Line 25a)*

**Line 10. Amount of Income Tax Due.** For partnerships that pay tax due on behalf of nonresident partners, enter the Partners' Total amount from Form D-403, Part 4, Line 18. For Taxed Partnerships, enter the Partners' Total amount of tax due from Form D-403, Part 4, Line 30.

## Part 2. Tax Credits Subject to 50% of Tax Limit

**Line 12. Total Tax Credits Subject to 50% Limit Taken in Current Period.** Enter the total amount of tax credits taken by the partnership in 2022 that are limited to 50% of the partnership's N.C. tax due. Generally, the Form NC-478 series is used to calculate and report these types of credits. *(For additional information on the Form NC-478 series, see the instructions for the NC-478 series, available from the Department's website.)*

**Important:** A partnership that qualified for a tax credit that has expired or sunset may generally continue to take any remaining installments or carryovers in 2022 if the partnership continues to meet the statutory eligibility requirements previously required of each particular tax credit. However, a Taxed Partnership **MAY NOT** claim a tax credit required to be taken in installments if the first installment of the tax credit was taken in a taxable period for which the election to be a Taxed Partnership was not in effect.

## Part 3. Total of Credits Applied to Current Year

**Line 13. Reserved. DO NOT USE THIS LINE.** This line will be used by the Department to accommodate future changes to the 2022 tax return, if applicable. **The unauthorized use of this line may prevent the Department from processing the partnership's tax return.**

**Line 14. Add Lines 11 through 13.** This is the total amount of tax credits to be taken for tax year 2022. *(For partnerships that pay tax due on behalf of nonresident partners, enter this amount on Form D-403, Part 4, Line 19. For Taxed Partnerships, enter this amount on Form D-403, Part 4, Line 31.)*

## Part 4. Qualified Rehabilitation Expenditures and Expenses

**Line 15. Qualified Rehabilitation Expenditures for Rehabilitating Income-Producing Historic Structure.** If tax year 2022 is the first year the partnership took an installment of the income-producing tax credit allowed under Article 3D, enter the total amount of qualified rehabilitation expenditures incurred. **Note:** The qualified rehabilitation expenditures must have been incurred before January 1, 2015.

**Line 16. Rehabilitation Expenses for Rehabilitating Nonincome-Producing Historic Structure.** If tax year 2022 is the first year the partnership took an installment of the nonincome-producing tax credit allowed under Article 3D, enter the total amount of rehabilitation expenses incurred. **Note:** The rehabilitation expenses must have been incurred before January 1, 2015.

**Line 17. Qualified Rehabilitation Expenditures for Income-Producing Rehabilitated Mill Property.** If tax year 2022 is the first year the partnership took the income-producing tax credit allowed under Article 3H, enter the total amount of qualified rehabilitation expenditures incurred.

**Line 18. Rehabilitation Expenses for Nonincome-Producing Rehabilitated Mill Property.** If tax year 2022 is the first year the partnership took an installment of the nonincome-producing tax credit allowed under Article 3H, enter the total amount of rehabilitation expenses incurred.

## Part 5. Credit for Income Tax Paid to Another State or Country (For Taxed Partnerships with N.C. Resident Partners Only)

A Taxed Partnership is allowed a tax credit against the income taxes levied against it by North Carolina so long as the Taxed Partnership was subject to and paid income tax to another state or country on income that was taxed to the Taxed Partnership with respect to its resident partners. **Important:** No credit is allowed for income taxes paid to a city, county, or other political subdivision of a state or country or to the federal government.

To claim the tax credit, the Taxed Partnership must first complete Form D-403, Part 4, Line 30. Then, complete Part 5 of Form D-403TC to determine the amount of allowable tax credit. **Note:** If the Taxed Partnership claims a tax credit for taxes paid to more than one state or country, do not complete Lines 19 through 24 of Form D-403TC. Instead, use the "Out-of-State Tax Credit Worksheet" on page 16 of these instructions, to determine the amount of allowable tax credit for each state or country.

**Line 19. Total of All Resident Partners' Distributive Share of Income (Loss) From All Sources Modified by N.C. Adjustments Applicable to Resident Partners' Distributive Share of Income (Loss).** Enter on Line 19 the total amount of all resident partners' distributive share of income (or loss) from all sources, modified by the applicable additions and deductions to income listed on the partnership's Form NC-PE that relate to the resident partners' distributive share of income (or loss). **Important: If you are filling out the handwritten version of Form D-403, and the amount on Line 19 is negative, fill in the circle located next to Line 19.**

**Line 22. Total of All Resident Partners' Share of the Tax Due Amount.** Enter the resident partners' share of the tax due computed on Form D-403, Part 4, Line 30. **Important:** Line 22 **CAN NOT** be less than zero.

**Line 24. Amount of Net Tax Paid to the Other State or Country on the Income Shown on Line 20.** The amount of net tax paid is any prepayment of tax (tax withheld, estimated income tax payments, amount paid with an extension, etc.) plus any additional tax paid **less any refunds** received or expected to be received. **Important:** The partnership must attach a schedule to Form D-403TC showing the total amount of tax paid to the other state or country and how the resident partners' share of the tax was determined. In addition, the partnership must attach a copy of the tax return filed with the other state or country and a copy of the check, receipt or other proof showing

payment of income tax paid to the other state or country by the partnership.

**Line 25a. Credit for Income Tax Paid to Another State or Country.** Compare Line 23 with Line 24. On Line 25a, enter the lesser of Line 23 or Line 24. If the Taxed Partnership claims a tax credit for taxes paid to more than one state or country, use the below “Out-of-State Tax Credit Worksheet” and enter the total on Line 25a. **This is the amount of tax credit for income tax paid to another state or country.** Enter the amount on Form D-403TC, Part 1, Line 8.

<b>Out-of-State Tax Credit Worksheet</b>	
<i>(Use a separate worksheet to determine the separate credit for each state or country.)</i>	
1. Total of all resident partners' distributive share of income (or loss) from all sources modified by N.C. adjustments applicable to resident partners' distributive share of income (or loss).....	1. _____
2. Portion of Line 1 that was taxed by another state or country.....	2. _____
3. Divide Line 2 by Line 1 and enter the result as a decimal amount ( <i>Round to four decimal places</i> ) .....	3. _____ .
4. Total of all resident partners' share of the tax due amount ( <i>All resident partners' share of the tax due amount from Form D-403, Part 4, Line 30</i> ) .....	4. _____
5. Multiply Line 4 by Line 3 .....	5. _____
6. Amount of net tax paid to the other state or country on the income shown on Line 20 ( <i>For definition of net tax paid, see the instructions for Line 24 on page 15.</i> ).....	6. _____
7. Enter the lesser of Line 5 or Line 6. To determine the total amount of credit for income tax paid to another state or country, add the amount of Line 7 on each worksheet and enter the total on Form D-403TC, Part 5, Line 25a.....	7. _____

**Instructions for Amending Form D-403, Partnership Income Tax Return**

A partnership must use 2022 Form D-403 to amend its 2022 partnership income tax return. Unless specifically instructed otherwise, the partnership should complete the return in its entirety. For lines on the amended return that are unchanged from the original return, the partnership should enter the amount from the original return.

When filing an amended Form D-403, fill in the “Amended Return” circle located in the demographic section on page 1, and provide a complete explanation as to the reason(s) for filing an amended return in the space provided on page 5 of Form D-403. You must also attach the following information to the partnership’s amended return as documentation to support the changes, if applicable:

- A copy of federal audit report.
- A copy of amended federal Form 1065 or federal Form 1065-X and supporting federal schedules and forms if changes are also applicable to your State return.
- Form NC K-1 to verify tax payments made on the partnership’s behalf by other pass-through entities.
- Federal form 1099 statement(s) to verify a change in income tax withheld.
- Any other required schedule or supporting form.

**If the partnership filed Form NC-PE or Form D-403TC with the original Form D-403, the partnership MUST file the form(s) with the amended Form D-403, even if there is no change to the form(s).**

**Part 1, Lines 1 through 10.** Make any necessary changes to the original Form D-403 by showing the corrected amount on Lines 1 through 10, if applicable. **Important:** If the amount reported on Lines 4 or 6 is different from the amount originally reported, enter the amount from the corrected Form NC-PE. Attach the corrected Form NC-PE to the amended Form D-403. **Note:** If you are filling out the handwritten version of Form D-403, and the corrected amount of Line 1, 3, 5, 7, 8, 9, or 10 is negative, fill in the circle located next to line.

**Part 1, Lines 11 through 13.** Before making necessary changes to these lines, you must complete Part 4. If the amount reported on Line 12 is different from the amount originally reported, you must complete Form D-403TC. **Important:** Attach the corrected Form D-403TC to the amended Form D-403.

**Part 1, Lines 14a through 14d.** Make any necessary changes to the original Form D-403 by showing the corrected amount on Lines 14a through 14d.

**Part 1, Line 15.** Enter the amount of N.C. income tax paid, if any, shown on Line 19 of the original Form D-403, plus any additional tax



paid after the original Form D-403 was filed. **DO NOT include payments of interest or penalties (Form D-403, Line 21d).**

**Note:** If the partnership did not pay the amount of tax reflected on Form D-403, Line 19, enter only the amount of tax actually paid.

**Part 1, Line 17.** Enter the amount of overpayment, if any, shown the original return (Form D-403, Line 23). If the overpayment claimed on the original return was previously adjusted by the Department, enter the adjusted overpayment on Line 17. **Important:** Include any portion of the overpayment that was previously refunded, applied to any outstanding debt or estimated income tax, or contributed to the N.C. Nongame and Endangered Wildlife Fund or the N.C. Education Endowment Fund. **DO NOT** include interest received on any refunds.

**Part 1, Line 18.** If Line 17 is greater than Line 16, the partnership previously received a refund greater than it was entitled to. **If you are filling out the handwritten version of Form D-403, and the amount on Line 18 is negative, fill in the circle located next to Line 18.**

**Part 1, Line 22.** If Line 22 reflects an amount due, the partnership can pay the amount due online using the Department's website or mail a check or money order to the Department. *(For additional details, see page 8 of these instructions.)*

**Part 1, Line 24.** If the partnership previously applied part or all of an overpayment to estimated income tax, (Form D-403, Line 24), **DO NOT** enter the amount again on the amended return. However, if the amended return reflects an additional overpayment, the partnership may apply that overpayment to estimated income tax by entering the amount on Line 24. **The election to apply an overpayment to estimated income tax cannot be changed after the N.C. partnership return is filed.**

**Important:** In order to apply an overpayment to estimated income tax, the amended return must be filed on or before the last allowable date to make an estimated income tax payment for the tax year. For tax year 2023, the last allowable date a calendar year Taxed Partnership can make an estimated income tax payment is December 15, 2023. Therefore, to apply an overpayment to 2023 estimated income tax, the Taxed Partnership must file the amended D-403 on or before December 15, 2023.

**Part 1, Lines 25 and 26.** If the partnership previously contributed part or all of an overpayment to either the N.C. Nongame and Endangered Wildlife Fund or the N.C. Education Endowment Fund, (Form D-403, Line 25 or Line 26), **DO NOT** enter the amount again on the amended return. However, if the amended return reflects an additional overpayment, the partnership may contribute that overpayment to either fund by entering the contribution on Line 25 or Line 26, respectively. **The election to contribute an overpayment to the N.C. Nongame and Endangered Wildlife Fund or the N.C. Education Fund cannot be changed after the N.C. partnership return is filed.**

**Part 1, Line 27.** Enter the amount of overpayment to be refunded to the partnership on Line 27.

**Part 2 and Part 3.** Make any necessary changes to the original Form D-403 by showing the corrected amount on the applicable line.

**Part 4, Lines 1 – 32.** Make necessary changes to the original Form D-403 by showing the corrected amount on the applicable line. **Important:** If the amount reported on Line 6, 7, 8, 19, 23, or 31 is different from the amount originally reported, the partnership must complete a corrected Form NC-PE, Form D-403TC, Form NC-478, or Form NC-Rehab, if applicable. In addition, review the following specific line instructions.

- **Line 6 or 7.** If the amount reported on Line 6 or 7 is different from the amount originally reported for any partner, enter the corrected amount of the partner's distributive share of N.C. additions or deductions, if applicable.
- **Line 8.** If the amount reported on Line 8 is different from the amount originally reported for any partner, enter the corrected amount of the partner's distributive share of tax credit passing through to the partner. **Important:** If a Taxed Partnership qualified for the tax credit, **DO NOT** include the amount of that tax credit on Line 8. *(For additional details, see G.S. 105-154.1.)*
- **Line 19.** If the amount reported on Line 19 is different from the amount originally reported for any partner, enter the corrected amount of the nonresident partner's distributive share of tax credit used against tax due. **Important:** The partnership must attach a schedule showing the computation of each tax credit claimed and each partner's distributive share of that tax credit.
- **Line 20.** A partnership that is **NOT** a Taxed Partnership **MAY NOT** request a refund of an overpayment made on behalf of a nonresident partner if the partnership has already filed its return and paid the tax due. The nonresident partner may, on its own income tax return, request a refund of an overpayment made on its behalf by the partnership within the statute of limitations for refunds. Therefore, if the amount of Line 20 for a nonresident partner is less than the amount originally reported on Line 20 for that nonresident partner, the partnership **MUST** enter the amount originally reported on Line 20 for that nonresident partner.
- **Line 23.** If the amount reported on Line 23 is different from the amount originally reported for any partner, enter the corrected amount of each partner's distributive share of tax credit the Taxed Partnership is eligible to claim.
- **Line 31.** If the amount reported on Line 31 is different from the amount originally reported, enter the corrected amount. **Important:** The partnership must attach a schedule showing the computation of each tax credit claimed and each partner's distributive share of that tax credit.

**Part 5 and Part 6.** Make any necessary changes to the original Form D-403 by showing the corrected amount on the applicable line.

**Part 7.** Make any necessary changes to the original Form NC-PE by showing the corrected amount on the applicable line, and enter the corrected amounts on Part 1, Line 4 or Part 1, Line 6, if applicable. Attached the corrected Form NC-PE to the amended Form D-403.

**Form NC K-1.** If a partnership filed an amended Form D-403 for a tax year, the partnership must furnish each impacted partner an amended Form NC K-1 to report the partner's share of the partnership's income (loss), N.C. adjustments, N.C. tax credits, etc. if the information originally reported to the partner has changed. The partnership must provide the partner with information necessary for the partner to file the appropriate North Carolina tax return.