

Form NC-478E - Investing in Central Office or Aircraft Facility Property

The credit for investing in central office or aircraft facility property is taken in seven equal installments beginning in the tax year following the year in which the property is placed in service. Any unused portion of the credit may be carried forward for five succeeding years.

The following instructions for completing Part 1 through Part 5 of Form NC-478E apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 6.

Part 1. Business Information. *(The information requested in Part 1 is for a single establishment at which central office or aircraft facility property was purchased or leased and placed in service in North Carolina during 2004. If you invested in more than one central office or aircraft facility property in tax year 2004, complete a separate Form NC-478E for each location.)*

To be eligible for the credit for investing in central office or aircraft facility property, a taxpayer must be one of the eligible business types. In addition, taxpayers must meet all of the following conditions:

1. Meet all the general eligibility requirements.
2. Purchase or lease real property in North Carolina.
3. Begin to use the property as a central office or an aircraft facility during tax year 2004.

Name, Address, and County of Establishment. Enter the name, address, county, and NAICS Code for each establishment in which an investment of central office or aircraft facility property is made. If the establishment is located in a tier three, four, or five area and not in a development zone, a wage standard test must also be satisfied. The wage standard test for investing in central office or aircraft facility property requires the combined average weekly wage of all jobs at the location with respect to which a credit is claimed to meet the wage standard. For more information about the wage standard test, see the “**Guidelines for Article 3A Tax Credits**” available from the Department’s website.

Other Business Information. Taxpayers must provide health insurance for all full-time positions at the central office or aircraft facility location. The insurance must be provided to the employees at the time the central office or aircraft facility property is purchased or leased and placed in service, and must be maintained every year an installment of the credit or a carryforward of the credit is claimed. Taxpayers must provide with the tax return certification that health insurance is provided to all full-time positions at the central office or aircraft facility location.

Part 2. Computation of Eligible Credit Amount for Investing in Central Office or Aircraft Facility Property at this Establishment. *(The information requested in Part 2, Lines 1 through 5, is a cumulative total for all central or aircraft facility property in service in North Carolina and will be the same number on all NC-478Es filed. The information requested in Part 2, Lines 6 through 9, is for a single establishment at which central office or aircraft facility property was purchased or leased and placed in service in North Carolina during 2004. If you invested in more than one central office or aircraft facility property in tax year 2004, complete a separate Form NC-478E for each location.)*

Line 1. Enter the cost of central office or aircraft facility property purchased or leased and placed in service in North

Carolina during tax year 2004. **(Note.** *If you own the property, cost is determined pursuant to the regulations of Section 1012 of the Internal Revenue Code. If you lease the property, cost is considered to be the amount of the lease payments over a seven-year period, plus any expenditures made to improve the property before the property is used as a central office or aircraft facility if the expenditures are not reimbursed or credited by a lessor.)*

Line 2. Enter the cost of all central office or aircraft facility property used in North Carolina on the last day of 2004. **(Note.** *The cost of all central office and aircraft facility property used in North Carolina on the last day of 2004 must also be entered in the 2004 column of Part 4.)*

Line 3. Enter the cost of all central office or aircraft facility property used in North Carolina on the last day of the base year. The base year is that year, of the three immediately preceding taxable years, in which the most central office or aircraft facility property is in service in North Carolina.

Line 4. Subtract Line 3 from Line 2, but not less than zero.

Line 5. Enter the lesser of Line 1 or Line 4. This is the maximum eligible investment amount for investing in central office or aircraft facility property in North Carolina for tax year 2004.

Line 6. Enter the amount of Line 5 attributed to this establishment.

Line 7. Multiply Line 6 by 7%.

Line 8. Enter the percentage of square feet of property used as central office or aircraft facility property.

Line 9. Multiply Line 7 by Line 8. **This is the amount of eligible credit for investing in central office or aircraft facility property at this establishment in 2004.**

Part 3. Computation of Eligible Credit Amount for Investing in Central Office or Aircraft Facility Property Statewide. *(The information requested in Part 3 is a cumulative total for all separate NC-478Es and should be entered only once on the last NC-478E filed.)*

Line 10. Add the amount on Part 2, Line 9 for each establishment in tax year 2004.

Line 11. The maximum credit for investing in central office or aircraft facility property in North Carolina in tax year 2004 is \$500,000.

Line 12. Enter the lesser of Line 10 or Line 11. **This is the amount of eligible credit for investing in central office or aircraft facility property in North Carolina in 2004.** Enter the total eligible credit amount for investing in central office or aircraft facility property in 2004 for **ALL** establishments in the Credit History Table. *(See Part 6, 2003 Column, Eligible Credit Amount.)*

Line 13. Divide Line 12 by the number 7. This is the eligible installment amount for investing in central office or aircraft facility property to be taken starting in tax year 2005.

Part 4. Central Office or Aircraft Facility Property in Service in North Carolina on the Last Day of the Tax Year. *(The information requested for Part 4 is a cumulative total for all establishments and should be entered only once on the last Form NC-478E filed.)*

Enter the total cost of all property in service in North Carolina on the last day of each tax year for each year requested. This information is used to determine the base year on Part 2, Line 2.

Part 5. Computation of Amount Eligible To Be Taken in 2004. *(The information requested for Part 5 is a cumulative total for all*

establishments and should be entered only once on the last Form NC-478E filed.)

Line 14. Enter the 2003 eligible installment amount. (See 2003 Form NC-478E, Part 3, Line 13.)

Line 15. Enter the 2002 eligible installment amount. (See 2002 Form NC-478E, Part 2, Line 15.)

Line 16. Enter the 2001 eligible installment amount. (See 2001 Form NC-478E, Part 1, Line 13.)

Line 17. Enter the 2000 eligible installment amount. (See 2000 Form NC-478E, Part 1, Line 11.)

Line 18. Enter the 1999 eligible installment amount. (See 1999 Form NC-478E, Part 1, Line 11.)

Line 19. Enter the 1998 eligible installment amount. (See 1998 Form CD-478E, Line 13.)

Line 20. Enter the 1997 eligible installment amount. (See 1997 Form CD-478E, Line 13.)

Line 21. Enter the portion of eligible installment amounts not taken for tax years 1997 through 2002.

Line 22. Add Lines 14 through 21. **This is the amount of eligible credit available to take for investing in central office or aircraft facility property in 2004.** (Carry amount to Form NC-478, Line 5.)

Part 6. Central Office or Aircraft Facility Property Credit History Table. (The information requested for Part 6 is a cumulative total for all establishments and should be entered only once on the last Form NC-478E filed. The installment portion of Credit History Table can not be completed in its entirety until after completing Part 3 of Form NC-478.)

Office Employees in NC at Year-end In the 2004 column, enter the number of office employees in North Carolina at the end of 2004. In the 1997 through 2003 columns, enter the number of office employees in North Carolina for each year as previously reported on Form NC-478E.

Eligible Credit Amount In the 2004 column, enter the total eligible credit amount for investing in central office or aircraft facility property in tax year 2004. (From Part 3, Line 12.) In the 1997 through 2003 columns, enter the total eligible credit amount as calculated on the prior year's Form NC-478E.

Installments Taken in 2004 In the 1997 through 2003 columns, enter the amount of credit actually taken in tax year 2004. The amount of credit taken includes the amount of current year's installment plus any portion of a prior year's carryforward utilized in 2004.

Carryforwards Taken If any portion of a prior year's installment is utilized in tax year 2004, enter the amount of carryforward taken in the applicable column. (**Important.** Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2004 a portion of a prior year's installment is utilized.)

Carryforwards To Take In Future If an installment is not fully utilized in tax year 2004, enter the amount not taken as a carryforward to take in the future. (**Important.** Carryforwards to take in the future do not include eligible installments to be taken in future years.)

Carryforwards to take in the future should only be entered if in 2004 a portion of a current installment can not be utilized due to the 50% of tax limitation.)

Expired Installments

If an installment expires, enter the amount of expired credit in the applicable column. Generally, a credit for investing in central office or aircraft facility property expires if a taxpayer fails to meet the general eligibility requirements, or if, the central office or aircraft facility property is disposed of, taken out of service, or moved out of North Carolina prior to the end of the seven-year period in which the credit is claimed. (For a detailed example on how to calculate the amount of expired installment, see the "Guidelines for Article 3A Tax Credits" available from the Department's website.)

Pass-through entities. S corporations claiming the credit against income tax complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 3, Line 13 among the shareholders. Complete Parts 5 and 6 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. On Part 5, Line 21, include only the carryforwards for those nonresident shareholders on whose behalf a composite return is filed in both the prior year and the current year. **Partnerships** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 3, Line 13 among the partners. Complete Parts 5 and 6 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. On Part 5, Line 21, include only the carryforwards for those nonresident partners on whose behalf the partnership pays tax in both the prior year and the current year. **Trusts and estates** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 3, Line 13 among the fiduciary and the beneficiaries. Complete Parts 5 and 6 by including only the amount that is allocated to the fiduciary.