

# North Carolina

# 2005

## Individual Income Tax Instructions for Form D-400

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You can pay your tax online by bank draft or credit or debit card using Visa or MasterCard. (Go to our website and click on **Electronic Services** for details.)



File your return electronically for faster refunds and for direct deposit. You may be eligible to file your Federal and State returns for free. (See page 3.)



File your State return electronically and have your refund deposited directly into your checking or savings account. Direct deposit is convenient, safe, and fast.

**Frequently Asked  
Questions**

Call us 24 hours a day, 7 days a week to get recorded information on many frequently asked income tax questions. (See page 28.)

Photo Courtesy of Department of Cultural Resources.

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## Before You Begin

The forms in this booklet are designed for electronic scanning that permits faster processing with fewer errors. To avoid unnecessary delays caused by manual processing, please follow the guidelines below:

**Important:** You must enter your social security number(s) in the appropriate boxes on the forms. Otherwise, we may be unable to process your return.

- Make sure you have received all of your W-2s, 1099s, and other tax documents that you need to prepare your 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 in the boxes like this:   ,  1  7  ,  3  6  0  .  0  0
- **Do not** use dollar signs (\$), commas, decimal points, or other punctuation marks or symbols like this:   , \$  1  7  ,  3  6  0  .  0  0
- **Do not** use brackets to indicate negative numbers. Negative numbers are indicated by filling in the circle next to the number.
- **Do not** enter zeros or draw lines in boxes where no data is required.
- 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



## Don't Miss Out....File Electronically!

Last year, almost 1.8 million North Carolina income tax returns were filed electronically. Taxpayers filing electronically can request to have their state refund deposited directly into a checking or savings account.

### VITA/TCE:

Volunteer Income Tax Assistance/Tax Counseling for the Elderly (VITA/TCE) programs offer free Federal and State tax preparation and electronic filing for taxpayers with low or moderate income, disabilities, non-English speaking, or the elderly. Call the IRS at 1-800-829-1040 for a location.

### Benefits:

- Faster refunds
- Direct Deposit (E-file only)
- Accurately filed returns
- Acknowledgment that return has been received
- Federal and State returns can be filed at the same time or separately
- No paper returns to mail
- Convenient, safe, and secure

### Here's How:

- If you have a personal computer, a modem, and approved tax software, you can file your Federal and State returns electronically through the Federal/State Online Filing Program. Some software products may allow free tax preparation and electronic filing depending on your income level. A list of software products and links to the developers' sites are located on the Department of Revenue's website, [www.dornc.com](http://www.dornc.com), under **Electronic Services, E-File**.
- Even if you don't use a computer to prepare your return, many tax professionals will file your Federal and State returns electronically for a fee. See **Electronic Services, E-File** on our website for a list of tax professionals who offer electronic filing.

## Additional Electronic Services

The following additional electronic services are available at the Department of Revenue's website [www.dornc.com](http://www.dornc.com).

Click **Electronic Services** and select **Individuals**.



### Where's My Refund?

Check the status of your 2005 Individual Income tax refund and information about amended returns and prior year returns filed late.

### D-400V Individual Income Payment Voucher

Pay your current year individual income tax.

### Bills and Notices

Make a payment on a bill or notice that you received from the Department of Revenue.

### NC-40 Individual Estimated Income Tax

Pay your individual estimated income tax payments online.

### D-410 Application for Extension for Filing Individual Income Tax Return

File your individual income tax extension and pay the tax electronically.

### D-400V Amended Individual Income Payment Voucher

Pay the tax on your individual income tax amended return.

### E-Alerts

Join our Tax Updates Mailing List. Mailings through this list will include bulletins, directives, and other important notices about law changes and related tax matters.

# North Carolina Taxpayers' Bill of Rights

**This Taxpayers' Bill of Rights is not all inclusive and does not address every possible circumstance.**

This **Bill of Rights** explains your rights as a taxpayer. It gives information about:

- Protection of Privacy
- Examination of Returns
- Hearings and Appeals Process
- Revenue Collection Process
- Refund of Overpaid Tax
- Penalties and Interest
- Taxpayer Assistance

As a taxpayer, you are always entitled to fair, professional, prompt, and courteous service. Our goal is to apply the tax laws consistently and fairly so that your rights are protected and that you pay only your fair share of North Carolina tax.

**Protection of Privacy:** It is your right to have information about your tax history, financial situation, and assessments or reviews kept in strict confidence. Any return information, correspondence, or departmental discussions concerning your tax situation will be completely confidential. Employees or former employees who violate this confidentiality are subject to criminal prosecution that may result in dismissal plus fines.

**Examinations:** The Department of Revenue routinely examines returns to ensure that taxpayers comply with tax statutes. If we examine your return, we may ask you to provide information to verify items on your return.

Examinations are done by mail or through personal interviews with auditors. You have the right to ask that the examination be held at a time and place convenient for you and the auditor.

You are entitled to a fair examination and an explanation of any changes we propose to your return. Examinations do not necessarily mean additional taxes. Your case could be closed without any changes or you could receive a refund.

**Representation:** During any examination, review, or hearing, you may have an attorney, accountant, or designated agent present. You can authorize another person to represent you if you execute a written power of attorney. If you wish, the Department will suspend the proceedings at any time to permit you to consult with your authorized representative.

You may make an audio recording of the proceedings at your own expense with your own equipment. The Department may also audio record the proceedings. If we do so, you can get a copy of the transcript for a nominal charge.

**Appeals:** You have the right to appeal the actions of the Department of Revenue if you do not agree with a proposed assessment or reduced refund. **To appeal a tax notice, you must file a written request, either for a hearing or for a written statement of the information on which the notice is based. The request must be received by the Department within 30 days from the date the notice was mailed to you.** If you request a written statement about your notice, you will receive it within 45 days. You then have 30 days from the date the statement was mailed to file a written request for a hearing.

**Hearings:** The Secretary of Revenue will notify you of the time and place of an administrative tax hearing within 60 days after you request one and at least 10 days before the date set for the hearing. The hearing will be scheduled within 90 days of your request or at a later date mutually agreed upon by you and the Department. The date set for the hearing may be postponed once at your request and once at the Secretary's request.

All parties attending a hearing may present information and ask questions. Written decisions are mailed to taxpayers following hearings.

**If you disagree with the findings of your hearing, you may:**

- Petition the Tax Review Board for administrative review of the decision, or
- Pay the tax and sue to recover the amount paid.

To have an administrative review, you must file a notice of intent to petition for review with the Tax Review Board within 30 days of the hearing decision. After filing the "notice of intent", **you must file a written statement or "petition" within 60 days** of filing the notice of intent explaining your objections to the decision. If the Tax Review Board upholds the decision of the Secretary of Revenue, you have the right to appeal to Superior Court. (The appeal information given here is a general description of your appeal rights and does not cover all situations.)

**Collections:** If the proposed assessment is upheld upon the conclusion of the appeals process, the assessment becomes final and collectible.

You are responsible for the full amount of tax you owe, but we will not take action to collect from you until you have had an opportunity to pay voluntarily. **It is important that you respond promptly if we contact you for payment.** If you do not pay the amount of tax, penalty, and interest you owe within 90 days after the date the final notice of assessment was mailed to you, the law requires the Department to add a 20% collection assistance fee to your debt. The fee does not apply if you enter into an installment payment agreement with the Department before the fee is imposed.

If you do not pay, the Department of Revenue may garnish your wages, bank account, or other funds, seize and sell personal property, issue a tax warrant to your sheriff, or record a certificate of tax liability against you. If you willfully fail to pay the tax, you may be subject to criminal charges.

If we believe that you owe tax and collecting that tax is in jeopardy, the Department can immediately assess and collect the tax. You are entitled to an administrative tax hearing on the jeopardy assessment. If you disagree with the findings of the hearing, you have the right to bring civil action in Superior Court.

**Refund of Overpaid Tax:** If you believe you have overpaid your taxes, you have the right to file a claim for refund. Generally, you can apply for a refund of tax paid at any time within three years after the due date of the return or within six months of paying the tax, whichever is later. If we select your claim for examination, you have the same rights you would have during an examination of your return.

**Penalties and Interest:** By law, the Department of Revenue is required to assess penalties for the following:

- Late Filing of Returns
- Late Payment of Tax
- Negligence
- Fraud
- Bad Checks or Bad EFT Payments

You have the right to request that penalties be waived. The Department waives penalties in accordance with its Penalty Waiver Policy. Interest accrues on unpaid taxes from the date the tax was due until the date it is paid. The law does not permit the Department to waive interest that accrues on unpaid taxes.

The information contained in this booklet is to be used as a guide in the preparation of a North Carolina individual income tax return and is not intended to cover all provisions of the law.

**Filing Requirements**

The minimum gross income filing requirements under North Carolina law are different from the filing requirements under the Internal Revenue Code because North Carolina law does not adjust the standard deduction and personal exemption for inflation as required by the Internal Revenue Code.

**Who is required to file a North Carolina individual income tax return?**

- Every resident of North Carolina whose income for the taxable year equals or exceeds the amount for his filing status shown in Chart A or B below.
- Every part-year resident who received income while a resident of North Carolina or who received income while a nonresident attributable to the ownership of any interest in real or tangible personal property in North Carolina or derived from a business, trade, profession or occupation carried on in North

Carolina, or is derived from gambling activities in North Carolina and whose total income for the taxable year equals or exceeds the amount for his filing status shown in Chart A or B below.

- Every nonresident who received income for the taxable year from North Carolina sources that was attributable to the ownership of any interest in real or tangible personal property in North Carolina or derived from a business, trade, profession, or occupation carried on in North Carolina, or is derived from gambling activities in North Carolina and whose total income from all sources both inside and outside of North Carolina equals or exceeds the amount for his filing status shown in Chart A or B below.
- If you had North Carolina income tax withheld during the year but your income is below the amount required for filing, as shown in Chart A or B below, you must still file a return to receive a refund of the tax withheld.

If you were not required to file a federal income tax return but your gross income from all sources both inside and outside of North Carolina equals or exceeds the amount for your filing status shown in Chart A or B, you must complete a

federal return and attach it to your North Carolina income tax return to show how your negative federal taxable income was determined.

You and your spouse must file a joint North Carolina return if you filed a joint federal income tax return, and both of you were residents of North Carolina or both of you had North Carolina taxable income. All other individuals must file separate returns.

When filing a joint return, include the name and social security number of each spouse on the return. Both spouses are jointly and severally liable for the tax due on a joint return unless one spouse has been relieved of any liability for federal income tax purposes as a result of the "innocent spouse" rules provided under Internal Revenue Code Section 6015.

If you filed a joint federal income tax return but file a separate North Carolina return, you must complete either a federal return as married filing separately reporting only your income, exemptions, and deductions, or a schedule showing the computation of your separate federal taxable income and attach it to your North Carolina return. You must also include a copy of your joint federal return unless your federal return reflects a North Carolina address.

**Chart A — For Most Taxpayers (See Chart B for children and other dependents)**

<u>Filing Status</u>	<u>A Return is Required if Federal Gross Income Exceeds</u>
(1) Single .....	\$ 5,500
Single (age 65 or over) .....	\$ 6,250
(2) Married - Filing Joint Return .....	\$11,000
Married - Filing Joint Return (one age 65 or over) .....	\$11,600
Married - Filing Joint Return (both age 65 or over) .....	\$12,200
(3) Married - Filing Separate Return .....	\$ 2,500
(4) Head of Household .....	\$ 6,900
Head of Household (age 65 or over) .....	\$ 7,650
(5) Qualifying Widow(er) with dependent child .....	\$ 8,500
Qualifying Widow(er) (age 65 or over) .....	\$ 9,100

**Filing Requirements for Children and Other Dependents**

If another person (such as your parent) can claim you as a dependent on their federal income tax return, use Chart B below to see if you must file a North Carolina income tax return.

**Chart B – For Children and Other Dependents**

<p><b>Single dependents.</b> Were you <b>either</b> age 65 or older <b>or</b> blind?</p> <p><input type="checkbox"/> <b>No.</b> You must file a return if <b>any</b> of the following apply to you.</p> <ul style="list-style-type: none"> <li>• Unearned income was over \$500</li> <li>• Earned income was over \$3,000</li> <li>• Gross income was more than the <b>larger of</b>-                         <ul style="list-style-type: none"> <li>• \$500, or</li> <li>• Earned income (up to \$2,750) plus \$250</li> </ul> </li> </ul> <p><input type="checkbox"/> <b>Yes.</b> You must file a return if <b>any</b> of the following apply to you.</p> <ul style="list-style-type: none"> <li>• Unearned income was over \$1,250 (\$2,000 if 65 or older <b>and</b> blind)</li> <li>• Earned income was over \$3,750 (\$4,500 if 65 or older <b>and</b> blind)</li> <li>• Gross income was more than-</li> </ul> <table style="width: 100%; border: none;"> <tr> <td style="border: none;"><u>The larger of-</u></td> <td style="border: none; text-align: center;">Plus</td> <td style="border: none;"><u>This amount:</u></td> </tr> <tr> <td style="border: none;"> <ul style="list-style-type: none"> <li>• \$500, or</li> <li>• Earned income (up to \$2,750) plus \$250</li> </ul> </td> <td style="border: none; text-align: center;">}</td> <td style="border: none;"> <b>\$750 (\$1,500 if 65 or older and blind)</b> </td> </tr> </table>	<u>The larger of-</u>	Plus	<u>This amount:</u>	<ul style="list-style-type: none"> <li>• \$500, or</li> <li>• Earned income (up to \$2,750) plus \$250</li> </ul>	}	<b>\$750 (\$1,500 if 65 or older and blind)</b>	<p><b>Married dependents.</b> Were you <b>either</b> age 65 or older <b>or</b> blind?</p> <p><input type="checkbox"/> <b>No.</b> You must file a return if <b>any</b> of the following apply to you.</p> <ul style="list-style-type: none"> <li>• Gross income was at least \$10 and your spouse files a separate return and itemizes deductions.</li> <li>• Unearned income was over \$500</li> <li>• Earned income was over \$3,000</li> <li>• Gross income was more than the <b>larger of</b>-                         <ul style="list-style-type: none"> <li>• \$500, or</li> <li>• Earned income (up to \$2,750) plus \$250</li> </ul> </li> </ul> <p><input type="checkbox"/> <b>Yes.</b> You must file a return if <b>any</b> of the following apply.</p> <ul style="list-style-type: none"> <li>• Unearned income was over \$1,100 (\$1,700 if 65 or older <b>and</b> blind)</li> <li>• Earned income was over \$3,600 (\$4,200 if 65 or older <b>and</b> blind)</li> <li>• Gross income was at least \$10 and your spouse files a separate return and itemizes deductions</li> <li>• Gross income was more than-</li> </ul> <table style="width: 100%; border: none;"> <tr> <td style="border: none;"><u>The larger of-</u></td> <td style="border: none; text-align: center;">Plus</td> <td style="border: none;"><u>This amount:</u></td> </tr> <tr> <td style="border: none;"> <ul style="list-style-type: none"> <li>• \$500, or</li> <li>• Earned income (up to \$2,750) plus \$250</li> </ul> </td> <td style="border: none; text-align: center;">}</td> <td style="border: none;"> <b>\$600 (\$1,200 if 65 or older and blind)</b> </td> </tr> </table>	<u>The larger of-</u>	Plus	<u>This amount:</u>	<ul style="list-style-type: none"> <li>• \$500, or</li> <li>• Earned income (up to \$2,750) plus \$250</li> </ul>	}	<b>\$600 (\$1,200 if 65 or older and blind)</b>
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<p><b>Unearned income</b> includes taxable interest, dividends, capital gains, pensions, annuities, and social security benefits. <b>Earned income</b> includes salaries, wages, tips, professional fees, scholarships that must be included in income, and other compensation received for personal services. <b>Gross income</b> is the total of your unearned and earned income.</p>													

# Instructions for Filing Form D-400

## The Income Tax Return

All individuals (including part-year residents and nonresidents) must file their income tax return on Form D-400. If applicable, be sure to read the section entitled **Information for Part-Year Residents and Nonresidents**.

## When to File

If you file your return on a calendar year basis, it is due on or before April 15 of the following year. A fiscal year return is due on the 15th day of the 4th month following the end of the taxable year. When the due date falls on a Saturday, Sunday, or holiday, the return is due on or before the next business day. A fiscal year return should be filed on a tax form for the year in which the fiscal year begins (For example: A 2005 tax form should be used for a fiscal year beginning in 2005).

## Extensions

If you cannot file your return by the due date, you may apply for an automatic 6-month extension of time to file the return. **To receive the extension, you must file Form D-410, Application for Extension for Filing Individual Income Tax Return, by the original due date of the return.** You can file Form D-410 online at [www.dornc.com](http://www.dornc.com). Click on **Electronic Services**. You should apply for an extension even if you believe you will be due a refund but cannot file by the due date.

You are not required to send a payment of the tax you estimate as due to receive the extension; however, it will benefit you to pay as much as you can with the extension request. **An extension of time for filing the return does not extend the time for paying the tax.** If you do not pay the amount due by the original due date, you will owe a 10 percent late-payment penalty and interest. The late-payment penalty will not be due if you pay at least 90 percent of your tax liability through withholding, estimated tax payments, or with Form D-410 by the original due date.

A late-filing penalty may be assessed if your return is filed after the due date (including extensions). The penalty is 5 percent per month (\$5.00 minimum; 25 percent maximum) on the remaining tax due.

If you do not file the application for extension by the original due date of the return, you are subject to both a late-filing penalty and a late-payment penalty.

The penalties will also apply if your extension is not valid. An application for extension is not valid if the amount entered on Form D-410 as the tax expected to be due is not properly estimated.

If you are living outside the United States or Puerto Rico, or if you are in the military stationed outside the United States or Puerto Rico, you are granted an automatic 2-month extension for filing your North Carolina return if you attach a statement showing that you were living outside the United States or Puerto Rico on the date the return was due. The time for payment of the tax is also extended; however, interest is due on any unpaid tax from the original due date of the return until the tax is paid. If you are unable to file the return within the automatic 2-month extension period, an additional 4-month extension may be obtained by following the provisions in the first paragraph of this section; however, Form D-410 must be filed by the automatic 2-month extended date of June 15.

## General Refund Information

If you owe another State or local agency, the amount you owe may be deducted from your refund. If you have an outstanding federal income tax liability, the Internal Revenue Service may claim your North Carolina refund.

## Need to Call Us About Your Refund?

The automated refund inquiry line will give you the status of your 2005 refund. You can also obtain amended return refund information. Service is available 24 hours a day seven days a week. If you are informed that your check has not been written, please wait seven days before calling back. You will need the first social security number shown on your return when you call. **Note:** You can also check the status of your refund at [www.dornc.com](http://www.dornc.com).

### Automated Refund Inquiry Line 1-877-252-4052 (toll-free)

<u>Month Return Filed</u>	<u>* Before Calling Please Allow</u>
January and February	8 weeks
March	10 weeks
April	12 weeks

All Electronically Filed Returns 4 weeks

\* Additional time is required if you owe a State agency or the IRS, or if your return contains an error.

## How to Pay Your Tax

If you owe additional tax, you can pay online by bank draft or credit or debit card using Visa or MasterCard. To pay online, go to the Department's website at [www.dornc.com](http://www.dornc.com) and click on **Electronic Services**.

You can also pay by check or money order. **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 your check or money order payable to the N.C. Department of Revenue for the full amount due. Write "2005 D-400" and your name, address, and social security number on your payment. If you are filing a joint return, write both social security numbers on your payment in the order that they appear on the return. If you received a pre-addressed income tax booklet, also complete Form D-400V included with the booklet and enclose it with your return and payment in the envelope provided. **Do not use Form D-400V if any of the preprinted information does not match what you entered on your return. Go to our website to generate a personalized D-400V with the correct information.** If you use tax software to prepare your return, be sure to include with your return and payment the Form D-400V generated by the software package.

## Estimated Income Tax

You are required to pay estimated income tax if the tax shown due on your return, reduced by your North Carolina tax withheld and allowable tax credits, is \$1,000 or more

regardless of the amount of income you have that is not subject to withholding. Each payment of estimated tax must be accompanied by Form NC-40, North Carolina Individual Estimated Income Tax. If you paid estimated tax for 2005, forms for filing and paying your estimated tax for 2006 will be included in a pre-addressed forms packet mailed to you in February, 2006. If you fail to receive a forms packet or if you are filing estimated tax for the first time, contact any of our offices so that appropriate forms can be mailed to you. You can also pay your estimated tax online at [www.dornc.com](http://www.dornc.com). Click on **Electronic Services**.

You should prepare your estimated tax carefully, both to avoid having to pay a large amount of tax when you file your return, and to avoid owing interest for underpayment of estimated income tax. Payment of estimated tax does not relieve you of your responsibility for filing a return if one is due.

## Amended Returns and Statute of Limitations

You may amend your return by filing Form D-400X. To receive a refund, your amended return must be filed within three years from the date the original return was due or within six months of the date the tax was paid, whichever date is later. However, special rules extending the time for filing refund claims beyond the normal three-year statute of limitations apply to overpayments attributable to (1) worthless debts or securities, (2) capital loss carrybacks, or (3) net operating loss carrybacks. For overpayments resulting from worthless debts or securities, the period of time for demanding an overpayment is seven years; for overpayments resulting from capital loss or net operating loss carrybacks, the period of time is three years from the due date of the return for the year in which the loss was incurred rather than three years from the due date of the return for the year to which the loss is carried back.

Amended returns on which you owe additional tax are required to be filed and the tax paid within three years after the date on which the original return was filed or within three years from the date required by law for filing the return, whichever is later.

If changes are made to your federal return by the Internal Revenue Service, you must report the changes to the State by filing an amended return within two years from the date you receive the report from the Internal Revenue Service. If you do not amend your State return to reflect the federal changes and the Department of Revenue receives the report from the Internal Revenue Service, an assessment may be made by the Department within three years from the date of receipt of the report, and you forfeit your right to any refund which might have been due by reason of the changes.

## Penalties and Interest

**Failure to file penalty.** Returns filed after the due date are subject to a penalty of 5 percent of the tax for each month, or part of a month, the return is late (minimum \$5.00; maximum 25 percent of the additional tax). If you file your return late, figure the amount of the penalty and add it to the tax due.

**Failure to pay penalty.** Returns filed after April 15 without a valid extension are subject to

a late-payment penalty of 10 percent of the unpaid tax. If you have an extension of time for filing your return, the 10 percent penalty will apply on the remaining balance due if the tax paid by the original due date of the return is less than 90 percent of the total amount of tax due. If the 90 percent rule is met, any remaining balance due, including interest, must be paid with the return before the expiration of any extension period to avoid the late-payment penalty. The minimum penalty is \$5.00. If your payment is late, figure the amount of the penalty and add it to the tax due.

The late-payment penalty will not be assessed if the amount shown due on an amended return is paid with the return. Proposed assessments of additional tax due are subject to the 10 percent late-payment penalty if payment of the tax is not received within 30 days of the assessment.

**Other penalties.** There are other penalties for negligence, filing a frivolous return, and fraud. Criminal penalties also apply for fraud with intent to evade or defeat the tax and for willful failure to file a return, supply information, or pay the tax.

**Collection Assistance Fee.** Any tax, penalty, and interest not paid within 90 days after a final notice of assessment has been mailed to you is subject to a 20 percent collection assistance fee. The fee will not apply if you are making payments under an installment agreement that became effective within 90 days after the final notice was mailed.

**Interest.** Interest is due on tax not paid by April 15, even though you may have an extension of time for filing your return. You may obtain the current interest rate from any of the Department's offices. If you pay your tax late, figure the amount of interest due and include it with the tax and any applicable penalty.

**Interest on underpayment of estimated tax.** Compute interest on any underpayment of estimated income tax on **Form D-422, Underpayment of Estimated Tax by Individuals.** Interest is not due if each payment equals 25 percent of the lesser of 90 percent (66 2/3 percent for farmers and fishermen) of the tax due on your current year's

return or 100 percent of the tax due on your previous year's return. If interest is applicable, add the interest to the tax due, and include the full payment with your return. If a refund is due, subtract the amount of the interest from the refund.

## N.C. Public Campaign Fund

You may designate \$3.00 of the tax you pay to this Fund. (Married couples filing a joint return may each make a spousal designation if their income tax liability is \$6.00 or more.) The Fund provides campaign money to nonpartisan candidates for the North Carolina Supreme Court and Court of Appeals who voluntarily accept strict campaign spending and fund-raising limits. The Fund also helps finance educational materials about voter registration, the role of the appellate courts, and the candidates seeking election as appellate judges in North Carolina. Three dollars (\$3.00) from the taxes you pay will go to the Fund if you mark an agreement. Regardless of what choice you make, your tax will not increase, nor will any refund you are entitled to be reduced.

## N.C. Political Parties Financing Fund

You may designate \$1.00 of the tax you pay for use by the Democratic or Republican Party. (Married couples filing a joint return may make a spousal designation only if their income tax liability is \$2.00 or more.) If you do not wish to specify a party but wish to designate \$1.00, fill in the "Unspecified" circle and the amount you designate will be distributed on a pro rata basis according to party voter registration. No political party with less than 1 percent of the total number of registered voters in the State will receive any of the designated funds.

## United States Armed Forces Pay

If you are serving in the United States Armed Forces and your legal residence is North Carolina, you are liable for North Carolina income tax and North Carolina income tax should be withheld from your pay regardless of where you may be stationed. If you are a legal resident

of another state stationed in North Carolina on military orders, you are not liable for North Carolina income tax on your military pay, but other income from employment, a business, or tangible property in North Carolina is subject to North Carolina income tax. If you are a military nonresident stationed in North Carolina with no North Carolina income but your spouse earned income in North Carolina, please see "Information for Part-Year Residents and Nonresidents" below.

## Death of the Taxpayer

If you are the spouse or personal representative of an individual who died prior to filing a return, you may be required to file a return on the decedent's behalf. If so, enter the date of death in the applicable box on Page 1 of Form D-400 to indicate the return is being filed for a deceased individual.

An Income Tax Return for Estates and Trusts, Form D-407, must be filed for an estate for the period from the date of death to the end of the taxable year if the estate had taxable income from North Carolina sources or income which was for the benefit of a North Carolina resident, and the estate is required to file a federal return for estates and trusts.

If you are filing a return for an unmarried individual who died during the year, enter the date of death in the applicable box and enter the name of the deceased and the address of the executor or administrator. The executor or administrator should sign the return. When filing a separate return for a decedent who was married at the time of death, enter the date of death, the name of the deceased, and the address of the surviving spouse. The surviving spouse should sign the return. In either case, be sure to enter the date of death in the space provided.

If you are a court-appointed representative, you **must** attach to the return a copy of the certificate that shows your appointment. A refund due on a return filed for a deceased taxpayer by a person other than a surviving spouse or a court-appointed representative will be mailed to the Clerk of Superior Court of the county in which the taxpayer resided.

## Information for Part-Year Residents and Nonresidents

If you move your legal residence into or out of North Carolina during the tax year, you are a resident of two different states during two different periods of the tax year.

You are a nonresident if you maintain your legal residence in another state or country even though you may temporarily reside in North Carolina. If you reside in North Carolina for more than 183 days of a tax year, you are presumed to be a resident for income tax purposes in the absence of factual proof of residence in another state. However, your absence from North Carolina for more than 183 days raises no presumption that you are not a resident.

If you filed a joint federal return but cannot file a joint North Carolina return because your spouse is a nonresident and had no North Carolina taxable income, you must calculate your federal taxable income as a married person filing a separate federal return.

Complete either a federal return as married filing separately reporting only your income, exemptions, and deductions, or a schedule showing the computation of your separate federal taxable income and attach it to your North Carolina return. You must also include a copy of your joint federal return unless your federal return reflects a North Carolina address. **Note:** Itemized nonbusiness deductions of a husband and wife may be claimed by a spouse only if that spouse was obligated to pay the items and actually paid the amount during the year. In the case of a joint obligation (such as mortgage interest and real estate taxes), the deduction is allowable to the spouse who actually paid the item.

Part-year residents and nonresidents receiving income from North Carolina sources must determine the portion of their federal taxable income that is subject to North Carolina income tax by completing Lines 48 through 52

on Page 4 of Form D-400. See the instructions for Lines 48 through 52 on Page 13.

A part-year resident receiving partnership income from a partnership doing business in North Carolina and in one or more other states must prorate his share of the partnership's income attributable and not attributable to North Carolina between his periods of residence and nonresidence in accordance with the number of days in each period. Include on Line 48 your share of partnership income determined for the period of residence. Include on Line 49 your share of the partnership income attributable to North Carolina during the period of nonresidence.

If you have income from sources within another state or country while you are a resident of North Carolina and the other state or country taxes you on such income, you may be eligible to claim a tax credit on your North Carolina return. See "Credit for Tax Paid to Another State or Country" on Page 14 for additional information.

# Line Instructions for Filing Form D-400

The references to line numbers on federal income tax forms were correct at the time of printing. If they have changed and you are unable to determine the proper line to use, please contact the Department of Revenue.

## Lines 1 through 5 - Filing Status

Check the same filing status you checked on your federal return. **Important:** If either you or your spouse is a nonresident and had no North Carolina taxable income for the tax year, the spouse with the North Carolina taxable income must check **Married Filing Separately** and complete a separate federal return or a schedule showing the computation of federal taxable income as **married filing separately** and attach it to the North Carolina return.

## Line 6 - Federal Taxable Income

Enter your federal taxable income from your federal return. If federal taxable income is less than zero, you were required to enter zero on your federal return. On your North Carolina return, enter the negative amount and fill in the circle to indicate that the amount is negative.

## Line 13 - North Carolina Taxable Income

- If you were a **resident** of North Carolina for the entire year, enter the amount from Line 11 on Line 13.
- If you were a **part-year resident or a nonresident you must complete Lines 48 through 52** and enter on Line 12 the decimal amount from Line 52. Multiply the amount on Line 11 by the decimal amount on Line 12 and enter the result on Line 13.

**Part-year residents and nonresidents should read the instructions on Page 7 for additional information and complete the applicable worksheets for Lines 48 through 52 on Page 13.**

## Line 14 - North Carolina Income Tax

To calculate your tax, use one of the following methods:

**North Carolina Tax Table.** Use the **Tax Table** beginning on Page 17 to determine your tax if your taxable income on Line 13 is less than \$68,000. Be sure to use the correct column in the **Tax Table**. After you have found the correct tax, enter that amount on Line 14.

**Tax Rate Schedule.** Use the **Tax Rate Schedule** on Page 25 to calculate your tax if your taxable income is \$68,000 or more. Enter the amount on Line 14.

## Line 15 - Tax Credits

See Page 14 for information about tax credits. Complete **Form D-400TC, Individual Tax Credits**, if you are entitled to one or more of the credits.

## Line 17 – Consumer Use Tax

Like all states that have a sales tax, North Carolina has a use tax on out-of-state purchases. The use tax applies to purchases made outside the State for use inside the State. Individuals in North Carolina are responsible for paying use tax on their out-of-state purchases.

An individual in North Carolina owes use tax on an out-of-state purchase when the item purchased is subject to the North Carolina sales tax and the retailer making the sale does not collect sales tax on the sale. Items that are subject to sales tax include computers and other electronic equipment, canned software, books, audio and video tapes, compact discs, records, clothing, appliances, furniture and other home furnishings, sporting goods, and jewelry. Out-of-state retailers include mail-order companies, television shopping networks, firms selling over the internet, and retailers located outside North Carolina. When an out-of-state retailer does not collect sales tax, the responsibility of paying the tax falls on the purchaser.

The use tax is calculated at the same rate as the sales tax, which is 7% in all counties except Mecklenburg. In Mecklenburg County, the rate is 7.5%. If you paid another state's sales or use tax on out-of-state purchases, that amount may be credited against the North Carolina use tax due. You may not claim a credit for sales tax or value-added tax paid to another country.

To calculate your North Carolina use tax, complete one of the Use Tax Worksheets below. Complete Worksheet 1 if you kept records of all of your out-of-state purchases. Complete Worksheet 2 if you did not keep records of all of your out-of-state purchases. Worksheet 2 has two parts; the first part is a calculation of the amount due on items that cost less than \$1,000 each and the second part is a calculation of the amount due on items that cost \$1,000 or more each. The first calculation is based on a Use Tax Table that reflects the estimated amount of use tax due by taxpayers with varying amounts of North Carolina taxable income. The estimated amount is .07% (.0007) of North Carolina taxable income. If you believe the estimate from the table is too high for your out-of-state purchases, you may estimate what you think you owe.

You should report use tax on purchases of food subject to the reduced rate of tax on Form E-554 and use tax on purchases of boats and aircraft on Form E-555.

### Use Tax Worksheet 1

#### Taxpayers Who Have Records of All Out-of-State Purchases

- Enter the total amount of out-of-state purchases including shipping and handling for 1/1/05 through 12/31/05. .... **1.** \_\_\_\_\_
- Multiply Line 1 by 7% (.07) or, if Mecklenburg County resident, 7.5% (.075), and enter the amount. .... **2.** \_\_\_\_\_
- Enter the tax paid to another state on the purchases. This amount may not exceed the amount on Line 2. .... **3.** \_\_\_\_\_
- Subtract Line 3 from Line 2 and enter the result, rounded to the nearest whole dollar, here and on Form D-400, Line 17. .... **4.** \_\_\_\_\_

### Use Tax Worksheet 2

#### Taxpayers Who Do Not Have Records of All Out-of-State Purchases

- For purchases of items that cost less than \$1,000**  
See the **Use Tax Table** on the following page to estimate the use tax due based on your North Carolina taxable income shown on Form D-400, Line 13 and enter the amount. .... **1.** \_\_\_\_\_
- For purchases of items that cost \$1,000 or more**  
2a - Enter the total amount of purchases, including shipping and handling, of \$1,000 or more for 1/1/05 through 12/31/05. .... **2a.** \_\_\_\_\_  
2b - Multiply Line 2a by 7% (.07) or, if Mecklenburg County resident, 7.5% (.075), and enter the amount. .... **2b.** \_\_\_\_\_
- Add Lines 1 and 2b and enter the total amount of use tax. .... **3.** \_\_\_\_\_
- Enter the tax paid to another state on the purchases. This amount may not exceed the amount on Line 3. .... **4.** \_\_\_\_\_
- Subtract Line 4 from Line 3 and enter the result, rounded to the nearest whole dollar, here and on Form D-400, Line 17. .... **5.** \_\_\_\_\_



## Use Tax Table

NC Taxable Income (D-400, Line 13)			NC Taxable Income (D-400, Line 13)		
At Least	But Less Than	Use Tax Amount	At Least	But Less Than	Use Tax Amount
\$ 0	2,100	\$ 1	\$ 22,100	23,600	\$16
2,100	3,600	2	23,600	25,000	17
3,600	5,000	3	25,000	26,400	18
5,000	6,400	4	26,400	27,900	19
6,400	7,900	5	27,900	29,300	20
7,900	9,300	6	29,300	30,700	21
9,300	10,700	7	30,700	32,100	22
10,700	12,100	8	32,100	33,600	23
12,100	13,600	9	33,600	35,000	24
13,600	15,000	10	35,000	36,400	25
15,000	16,400	11	36,400	37,900	26
16,400	17,900	12	37,900	39,300	27
17,900	19,300	13	39,300	40,700	28
19,300	20,700	14	40,700	42,100	29
20,700	22,100	15	42,100	43,600	30
			43,600 and over		Multiply NC Taxable Income by .07% (.0007)

### Lines 19a and 19b - N.C. Income Tax Withheld

Enter your North Carolina tax withheld on Line 19a. If you are married and you file a joint return, enter your North Carolina withholding on Line 19a and your spouse's withholding on Line 19b. **Do not** include any income tax withheld by a state other than North Carolina or any other tax amounts that were withheld.

Be sure to attach your original or a copy of the original State wage and tax statements (Form W-2), 1099 statements, or other statements verifying North Carolina tax withheld to your return. It is not necessary to attach 1099 statements on which no North Carolina income tax withheld is reported unless you are claiming a **Bailey** retirement deduction (See Line Instructions for Line 42). Wage and tax statements or 1099 statements generated by tax software programs cannot be used to verify North Carolina tax withholding.

### Line 20 - Other Tax Payments

**a - 2005 Estimated Tax** - Enter any estimated income tax payments for 2005 (including any portion of your 2004 refund that was applied to your 2005 estimated income tax). See Page 6 for additional information about estimated income tax.

**b - Paid with Extension** - If you filed an automatic extension of time, enter the amount of North Carolina income tax paid with the extension.

**c - Partnership** - If you are a nonresident partner, enter your share of the tax paid to North Carolina by the manager of the partnership on your distributive share of the partnership income. Include with your return a copy of Form NC K-1 for Form D-403 provided by the partnership to verify the amount claimed.

**d - S Corporation** - If you are a nonresident shareholder of an S corporation, enter your share of the income tax paid to North Carolina by an S corporation on your distributive share of the S corporation income. Include with your return a copy of Form NC K-1 for Form CD-401S provided by the S corporation to verify the amount claimed.

### Line 22a through 22c - Tax, Penalties, and Interest

**a** - If Line 18 is more than Line 21, you owe additional tax. Subtract Line 21 from Line 18 and enter the result on Line 22a.

**b - Underpayment of Estimated Income Tax and Exceptions**- You may owe interest if you underpaid your estimated tax for any payment period. You will not owe interest if you had no tax liability in the prior year or if this year's tax liability, less any amount withheld and allowable tax credits, is less than \$1,000. Complete Form D-422 to see if you owe interest. Enter the interest on Line 22b. The interest will increase your tax liability or reduce your overpayment. You do not have to attach Form D-422 or Form D-422A to your return; however, maintain the form for your records.

#### Exception to Underpayment of Estimated Tax:

- Enter an "F" in the box if you are a farmer or fisherman. You will not owe interest if you are a farmer or fisherman and pay the tax due by March 1, 2006. You are a farmer or fisherman if you received at least two-thirds of your gross income for the year from farming and fishing.
- Enter an "A" in the box if you completed Form D-422A, Annualized Income Installment Worksheet, in determining the amount to enter on Line 22b.

**c - Penalties and Interest** - See "Penalties and Interest" beginning on Page 6 to determine if any other penalties apply to you or if you owe interest.

### Line 23 - Pay This Amount

Add Lines 22a, 22b, and 22c and enter the total on Line 23. This is the total tax, penalties, and interest due. Mail your return and payment to the **North Carolina Department of Revenue, P. O. Box 25000, Raleigh, North Carolina 27640-0640**. Make your check or money order payable to the NC Department of Revenue. **Important:** 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.

If you received a pre-addressed income tax booklet, be sure to use the payment voucher (**Form D-400V**) included in this booklet. However, do not use Form D-400V if any of the information does not match what you entered on your return. Go to our website to generate a personalized D-400V with the correct information.

You may also pay electronically. Visit our website at **www.dornc.com** for more information. In addition, you may pay by cash at any of the Department's offices. **However, do not send cash by mail.**

### Line 24

If Line 21 is more than Line 18, you have overpaid your tax. Subtract Line 18 (and any amount shown on Line 22b) from Line 21 and enter the amount of the overpayment on Line 24.

### Line 25 - Estimated Income Tax

If you have overpaid the tax, you may elect to have your refund applied to your estimated tax for the following year by entering the amount to be applied on Line 25. The election cannot be changed after you file your return. The last allowable date for making a 2006 estimated tax payment is January 15, 2007; therefore, to apply a portion of your refund to 2006 estimated tax, you must file your 2005 return by January 15, 2007.

### Line 26- N. C. Nongame and Endangered Wildlife Fund

If you are due a refund, you may elect to contribute all or any portion of the refund to the North Carolina Nongame and Endangered Wildlife Fund. Your donations provide most of the funds for conservation of our endangered species and native backyard wildlife.

If you wish to contribute to the fund, enter the amount of your contribution on Line 26. Your election to contribute to the fund cannot be changed after you file your return. If you are not due a refund, you may still contribute to this program by mailing your donation directly to the North Carolina Wildlife Resources Commission, 1722 Mail Service Center, Raleigh, North Carolina 27669-1722. Checks should be made payable to the Nongame & Endangered Wildlife Fund.



### Line 28 - Amount to be Refunded

If you are due a refund, mail your return to the **North Carolina Department of Revenue, P.O. Box R, Raleigh, North Carolina 27634-0001**. Refunds of less than \$1.00 are made only upon written request.

## Line Instructions

### Adjustments to Federal Taxable Income

You must make certain adjustments to your federal taxable income (Line 6) in arriving at your North Carolina taxable income (Line 13). The law may require other adjustments that are not included in these instructions. Follow the Line Instructions below to determine the adjustments that apply to you.

### Additions to Federal Taxable Income (Lines 29 - 38)

Federal law requires that the federal standard deduction and personal exemption be increased each year if necessary for inflation. North Carolina law, however, does not have a similar provision.

If you claimed the standard deduction on your federal return, you must add to your federal taxable income the difference in the standard deduction for federal and State income tax purposes in figuring your North Carolina taxable income.

If you itemized deductions on your federal return, you must add to your federal taxable income the amount of any state and local income taxes or general sales taxes claimed as deductions on your federal return to the extent your itemized deductions exceed the standard deduction without the federal inflation adjustment.

You must also increase your federal taxable income by the difference in the personal exemption for federal and State income tax purposes.

#### Line 30

Most people can find their standard deduction amounts on Line 30 of Form D-400. However, if you are 65 or older or blind, **OR** you can be claimed as a dependent on another individual's return, you must use the chart or worksheet on this page, whichever applies, to determine the amount to enter on Line 30. **IMPORTANT: If you are (1) married filing a separate return for federal income tax purposes and your spouse itemizes deductions, or (2) a nonresident alien, or (3) filing a short-year return because of a change in your accounting period, you are not entitled to the standard deduction; therefore, enter 0 on Line 30.** Note: A short-year return does not relate to a taxpayer who files a return as a part-year resident.

#### Line 31

Subtract Line 30 from Line 29 and enter the result (not less than zero). If you claimed the standard deduction on your federal return, skip Line 32 and enter on Line 33 the amount entered on Line 31.

### Standard Deduction Worksheet for Dependents

Use this worksheet **only** if someone can claim you, or your spouse if filing jointly, as a dependent.

1. Add \$250 to your earned income.\* Enter the total ..... 1. \_\_\_\_\_
2. Minimum amount ..... 2.       \$500
3. Enter the larger of Line 1 or Line 2. .... 3. \_\_\_\_\_
4. Enter on Line 4 the amount shown for your filing status
  - Single, enter \$3,000
  - Married filing jointly/Qualifying widow(er), enter \$6,000
  - Married filing separately, enter \$3,000
  - Head of household, enter \$4,400 ..... 4. \_\_\_\_\_
5. Enter the smaller of Lines 3 or 4. (If under 65 and not blind, **stop here** and enter this amount on Line 30 of Form D-400. .... 5. \_\_\_\_\_
6. a. Check if: You were 65 or Older  Blind   
 Your spouse was 65 or Older  Blind   
 b. Enter the number of boxes you have checked   
 Note: If married filing separately, include the number of boxes checked for your spouse in the total number checked only if your spouse had no gross income and was not claimed as a dependent by another taxpayer.  
 c. Multiply \$750 (\$600 if married filing jointly or separately, or qualifying widow(er)) by the number of boxes you entered on Line 6b above and enter the result ..... 6c. \_\_\_\_\_
7. Add Lines 5 and 6c. Enter the total here and on Line 30 of Form D-400. .... 7. \_\_\_\_\_

\* Earned income includes salaries, wages, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must report in income.

### Standard Deduction Chart for People Age 65 or Older or Blind

**Do not** use this chart if someone can claim you, or your spouse if filing jointly, as a dependent. Instead use the worksheet above.

- Check if: You were 65 or Older  Blind   
 Your spouse was 65 or Older  Blind   
 Enter the number of boxes checked above

Note: If married filing separately, include the number of boxes checked for your spouse in the total number only if your spouse had no gross income and was not claimed as a dependent by another taxpayer.

If your filing status is:	And the total number of boxes you have checked is:	Your standard deduction is:
Single	1	\$3,750
	2	\$4,500
Married filing jointly or Qualifying widow(er)	1	\$6,600
	2	\$7,200
	3	\$7,800
	4	\$8,400
Married filing separately	1	\$3,600
	2	\$4,200
	3	\$4,800
	4	\$5,400
Head of household	1	\$5,150
	2	\$5,900

**Line 32**

Enter the amount of the **state and local income tax or general sales tax** deduction you claimed on **Line 5 of Federal Schedule A** and any foreign income taxes included on **Line 8 of Federal Schedule A**. If no state, local, foreign income taxes or general sales taxes were paid, enter zero.

**Important:** If you were required to complete the **Itemized Deductions Worksheet** in the instructions for Federal Form 1040, complete the worksheet below to determine the amount to enter on Line 32.

**State Tax Adjustment Worksheet**

1. Enter the **state and local income taxes or general sales taxes** from Line 5 of Federal Schedule A and any foreign income taxes included on Line 8 of Federal Schedule A ..... 1. \_\_\_\_\_
2. Enter the amount from Line 3 of the **Itemized Deductions Worksheet** in the instructions for Federal Form 1040 ..... 2. \_\_\_\_\_
3. Divide Line 1 above by Line 2 above and enter the result as a decimal amount ..... 3. \_\_\_\_\_
4. Enter the amount from Line 9 of the **Itemized Deductions Worksheet** in the instructions for Federal Form 1040 ..... 4. \_\_\_\_\_
5. Multiply Line 4 above by the decimal amount on Line 3 above and enter the result here ..... 5. \_\_\_\_\_
6. Subtract Line 5 above from Line 1 above. Enter the result here and on Line 32 of Form D-400 ..... 6. \_\_\_\_\_

**Line 34 - Personal Exemption Adjustment Worksheet**

If your federal adjusted gross income (Form 1040, Line 37; Form 1040A, Line 21; or Form 1040EZ, Line 4) is less than the amount shown for your filing status in the chart below, complete **Worksheet A**. Otherwise, skip **Worksheet A** and complete **Worksheet B**. **Important:** If you cannot claim a personal exemption on your federal return because it was completely phased out, do not complete either worksheet and enter zero on Form D-400, Line 34.

Filing Status	Adjusted Gross Income
Married filing jointly/Qualifying widow(er)	\$100,000
Head of household	\$ 80,000
Single	\$ 60,000
Married filing separately	\$ 50,000

**A** 1. **1040 or 1040A filers**

- Multiply the number of exemptions claimed on Line 6d of 1040 or 1040A by \$700 and enter the result.

**1040EZ SINGLE filers**

- Enter \$700 if you cannot be claimed as a dependent by someone else
- Enter zero if you can be claimed as a dependent by someone else

**1040EZ MARRIED FILING JOINTLY filers**

- Enter \$1,400 if neither spouse can be claimed as a dependent by someone else
- Enter \$700 if one spouse can be claimed as a dependent by someone else
- Enter zero if both spouses can be claimed as dependents by someone else

1. \_\_\_\_\_

**STOP HERE** and enter this amount on Form D-400, Line 34.

**B** 2. **1040 or 1040A filers**

- Multiply the number of exemptions claimed on Line 6d of 1040 or 1040A by \$1,200 and enter the result.

**1040EZ SINGLE filers**

- Enter \$1,200 if you cannot be claimed as a dependent by someone else
- Enter zero if you can be claimed as a dependent by someone else

**1040EZ MARRIED FILING JOINTLY filers**

- Enter \$2,400 if neither spouse can be claimed as a dependent by someone else
- Enter \$1,200 if one spouse can be claimed as a dependent by someone else
- Enter zero if both spouses can be claimed as dependents by someone else

2. \_\_\_\_\_

**IMPORTANT:** If you were not required to complete the **Deduction for Exemptions Worksheet** in the instructions for Federal Form 1040 or 1040A, **STOP HERE** and enter this amount on Form D-400, Line 34. Otherwise, complete Lines 3, 4, and 5.

3. Enter the decimal amount from Line 7 of the **Deduction for Exemptions Worksheet** in the instructions for Federal Form 1040 or 1040A ..... 3. \_\_\_\_\_
4. Multiply Line 2 above by Line 3 above and enter the result ..... 4. \_\_\_\_\_
5. Subtract Line 4 above from Line 2 above and enter the result here and on Form D-400, Line 34 ..... 5. \_\_\_\_\_

**Line 35 - Interest Income**

Enter the amount of interest received from notes, bonds, and other obligations of states and political subdivisions other than North Carolina if not included in federal taxable income. This includes exempt interest dividends received from regulated investment companies (mutual funds) to the extent such dividends do not represent interest from obligations of North Carolina or its political subdivisions.

**Line 36 - Adjustment for Domestic Production Activities**

The federal **American Jobs Creation Act of 2004** allows a deduction equal to a portion of a taxpayer's qualified production activities income. The deduction is claimed on Line 35 of Federal Form 1040. **North Carolina does not allow the domestic production activities deduction.** Therefore, if you claimed the deduction on your federal return, the amount claimed must be added to federal taxable income on Line 36, Form D-400.

**Line 37 - Other Additions to Federal Taxable Income**

- If you elected to exclude a lump-sum distribution from a retirement plan from your regular federal income tax computation and computed the tax separately, the amount of the lump-sum distribution must be added to federal taxable income.

- If you carry over a net operating loss from another year to the 2005 return, an addition is required for the amount of net operating loss carried to the 2005 year that is not absorbed and will be carried forward to subsequent years.

*Example:* You incur a net operating loss of \$75,000 in 2004. You carry the net operating loss to the 2005 federal return and deduct the entire loss in arriving at federal taxable income. Only \$50,000 of the loss is absorbed and \$25,000 is carried forward to subsequent years. To determine North Carolina taxable income, you must make an addition to federal taxable income of \$25,000.

- You must add to federal taxable income the amount of all tax credits passed through to you by an S corporation, with the exception of the credit for tax paid to another state or country and the credit for certain real property donations.

*Example:* An S corporation with two 50% shareholders claims a \$1,000 tax credit for creating jobs. Each shareholder claims the jobs tax credit of \$500 on their individual income tax return. An addition to federal taxable income of \$500 is required on each shareholder's State return.

- If you qualified and elected to report your child's unearned income on your federal return, you included only the child's unearned income in excess of \$1,600 in your federal taxable income. The difference in the child's standard deduction of \$500 and the amount of his income not included in your federal taxable income must be added to your federal taxable income in figuring your North Carolina taxable income.

**Example 1:**

Tommy, age 8, received \$800 in dividends in 2005. He had no other income.

Tommy's unearned income .....	\$800
Amount included in parents' federal income .....	-0-
Amount not included in parents' federal income ..	\$800
Tommy's standard deduction .....	500
Addition to federal taxable income	
on parents' return .....	\$300

# Line Instructions

### Example 2:

Susan, age 10, received \$1,800 in interest income in 2005. She had no other income. Her parents include \$200 (\$1,800-\$1,600) of her income in their federal taxable income. In figuring their State taxable income, Susan's parents must add \$1,100 to federal taxable income in figuring their North Carolina taxable income.

Susan's unearned income .....	\$1,800
Amount included in parents' federal income .....	200
Amount not included in parents' federal income \$1,600	
Susan's standard deduction .....	500
Addition to federal taxable income on parents' return .....	\$1,100

## Deductions From Federal Taxable Income (Lines 39 - 47)

### Line 39 - State Income Tax Refund

Enter the amount of any state or local income tax refund included on Line 10 of your federal return, Form 1040.

### Line 40 - Interest From United States Obligations

Enter the amount of interest received from notes, bonds, and other obligations of the United States (such as U.S. savings bonds, treasury notes and bills, etc.) or United States possessions.

### Line 41 - Taxable Portion of Social Security and Railroad Retirement Benefits

Social security and railroad retirement benefits are not subject to State income tax. Enter any Title 2 social security benefits received under the Social Security Act and any Tier 1 or Tier 2 railroad retirement benefits received under the Railroad Retirement Act that were included in federal taxable income. Railroad Retirement Act benefits include railroad unemployment insurance benefits and railroad sickness benefits.

### Line 42 - Retirement Benefits Received by Vested Government Retirees (Bailey Settlement)

As a result of the North Carolina Supreme Court's decision in *Bailey v. State of North Carolina*, North Carolina may not tax certain retirement benefits received by retirees (or by beneficiaries of retirees) of the State of North Carolina and its local governments or by United States government retirees (including military). The exclusion applies to retirement benefits received from certain defined benefit plans, such as the North Carolina Teachers' and State Employees' Retirement System, the North Carolina Local Governmental Employees' Retirement System, the North Carolina Consolidated Judicial Retirement System, the Federal Employees' Retirement System, or the United States Civil Service Retirement System, if the retiree had five or more years of creditable service as of August 12, 1989. The exclusion also applies to retirement benefits received from the State's §401(k) and §457 plans if the retiree had contributed or

contracted to contribute to the plan prior to August 12, 1989. **The exclusion does not apply to §403(b) annuity plans.** Benefits from other State, local, and federal retirement plans may or may not be excluded depending on rulings in the *Bailey* case. **The exclusion does not apply to retirement benefits paid to former teachers and state employees of other states and their political subdivisions.**

A retiree entitled to exclude retirement benefits from North Carolina income tax should claim a deduction on Line 42 for the amount of excludable retirement benefits included in federal taxable income. **Important:** If you qualify for this deduction, you do not qualify for the deduction for retirement benefits of up to \$4,000 for the same federal, state, and local government retirement benefits. A copy of Form 1099-R or W-2 received from the payer must be attached to the return to support the deduction.

### Line 43 - Other Retirement Benefits

You may deduct a portion of other retirement benefits included in federal taxable income. Retirement benefits are amounts paid by an employer to a former employee or to a beneficiary of a former employee under a written retirement plan established by the employer to provide payments to an employee or beneficiary after the employee ends employment with the employer where the right to receive the payments is based upon the employment relationship. For self-employed individuals, retirement benefits are amounts paid to an individual (or beneficiary) under a written retirement plan established by the individual to provide payments after self-employment ends.

Retirement benefits also include amounts received from an individual retirement account or from an individual retirement annuity (IRA) and long-term disability benefits received under the Disability Income Plan of North Carolina. Retirement benefits do not include

short-term disability benefits from the Disability Income Plan of North Carolina or distributions paid to an employee from an employer's retirement plan because of a change in the structure of a corporate employer.

**Federal, State, and Local Government Retirement Benefits. (Important:** The following instructions apply to you if you received retirement benefits as a former employee of the State of North Carolina or any of its local governments or as a former employee of the federal government and you did not have five years of service with the government as of August 12, 1989, or if you received retirement benefits as a former employee of any other state. Otherwise, see the Line 42 instructions on this page.) If you received retirement benefits from one or more federal, state, or local government retirement plans, you may deduct the amount included in federal taxable income or \$4,000, whichever is less. Married individuals filing a joint return where both received such retirement benefits may each deduct up to \$4,000 for a potential deduction of \$8,000.

**Private Retirement Benefits.** If you received retirement benefits from one or more private retirement plans other than federal, state, or local government retirement plans, you may deduct the amount included in federal taxable income or \$2,000, whichever is less. Married individuals filing a joint return where both received such retirement benefits may each deduct up to \$2,000 for a potential deduction of \$4,000.

The total retirement benefits deduction may not exceed \$4,000 per taxpayer. For married couples filing a joint return where both spouses received retirement benefits, the deduction applies separately to each, so that the maximum deduction on a joint return is \$8,000.

**If you included retirement benefits in federal taxable income, complete the Retirement Benefits Worksheet below and enter the result on Form D-400, Line 43.**

## Retirement Benefits Worksheet

- |  | <u>You</u> | <u>Your Spouse</u> |
|--|------------|--------------------|
| 1. Enter the federal, state, or local government retirement benefits included in federal taxable income <u>not to exceed \$4,000 for each taxpayer who received government retirement benefits</u> ..... | 1. _____   | _____              |
| 2. Enter the private retirement benefits included in federal taxable income <u>not to exceed \$2,000 for each taxpayer who received retirement benefits</u> ..   | 2. _____   | _____              |
| 3. Add Lines 1 and 2 and enter the total here <u>not to exceed \$4,000 for each taxpayer</u> .....   | 3. _____   | _____              |
| 4. Add the amounts on Line 3 and enter the total here and on Form D-400, Line 43 .....   | 4. _____   | _____              |

**Important:** If you claim a deduction on Line 42 for retirement benefits received as a result of the *Bailey* settlement, you cannot claim the deduction of up to \$4,000 for the **same** federal, state, or local government retirement benefits.

**Line 44 - Severance Wages**

You may deduct up to \$35,000 of any severance wages you received as a result of your permanent involuntary termination from employment through no fault of your own. The severance wages deducted as a result of the same termination may not exceed \$35,000 for all taxable years in which the wages were received. "Stay on pay" does not qualify for the deduction.

Severance wages do not include payments that represent compensation for past or future services. Compensation for past or future services includes payment for accumulated sick leave, vacation time, other unused benefits, bonuses based on job performance, or payments in consideration of any agreement not to compete.

**Line 45 - Adjustment for Additional First-year Depreciation Added Back in 2002, 2003, and 2004**

North Carolina did not adopt the additional first-year depreciation provisions in the federal **Jobs Creation and Worker Assistance Act of 2002** or the federal **Jobs and Growth**

**Tax Relief Reconciliation Act of 2003.** Instead, you were required to add back on the State return for 2002, 2003, and 2004 a certain percentage of the first-year depreciation claimed on the federal return for the applicable year. Any amount of additional first-year depreciation added to federal taxable income on your 2002, 2003, or 2004 State return may be deducted in five equal installments beginning with the tax return for 2005. Therefore, determine the total amount of first-year depreciation added back on your 2002, 2003, and 2004 State returns and enter 20 percent of the total on Line 45.

*Example:* An individual added back the following amounts of additional first-year depreciation on Line 36 of the State returns over the three previous tax years:

2002 -	\$4,000
2003 -	\$2,000
2004 -	\$6,000
<u>Total</u>	<u>\$12,000</u>

The individual may deduct \$2,400 (\$12,000 x .20) on the 2005 return and \$2,400 on each return for the succeeding four tax years.

**Line 46 - Other Deductions From Federal Taxable Income**

- You may deduct the amount you received from the Disaster Relief Reserve Fund in the Office of State Budget and Management for hurricane relief or assistance. A deduction is not allowed for payments you received for goods or services.
- You may deduct the amount of North Carolina inheritance or estate tax paid that was attributable to an item of income in respect of a decedent.
- If you itemized your deductions and claimed the mortgage interest tax credit on your federal return because you participated in the mortgage credit certificate (MCC) program, you may deduct the amount shown on Line 3 of Federal Form 8396.
- If you claim the Hope or Lifetime Learning tax credit on your federal return in lieu of the deduction for higher education expenses allowed under Section 222 of the Internal Revenue Code, you may claim a deduction of up to \$4,000 for such expenses on the State return.
- The gain from the sale or disposition of North Carolina obligations issued before July 1, 1995, should be deducted from taxable income if the law under which the obligations were issued specifically exempts the gain.

**Computation of North Carolina Taxable Income for Part-Year Residents and Nonresidents**

<b>Line 48 - Part-Year Residents</b>	<b>Line 49 - Nonresidents</b>	<b>Line 51</b>
<p>Complete the worksheet below to determine the amount to be entered on Line 48:</p> <ol style="list-style-type: none"> <li>1. Enter your <b>total income</b> that you received in 2005 while you were a resident of North Carolina (See Note A below) <span style="float: right;">1. _____</span> <b>IMPORTANT:</b> Do not include income that is not taxable on the federal return such as interest from tax exempt state or municipal bonds.</li> <li>2. Enter the amount from Form D-400, Line 38 that applies to the income received while you were a resident of North Carolina (See Note B below) <span style="float: right;">2. _____</span></li> <li>3. Add Lines 1 and 2 <span style="float: right;">3. _____</span></li> <li>4. Enter the amount from Form D-400, Line 47 that applies to the income received while you were a resident of North Carolina (See Note C below) <span style="float: right;">4. _____</span></li> <li>5. Subtract Line 4 from Line 3 and enter the total here and on Form D-400, Line 48 (See Note D below) <span style="float: right;">5. _____</span></li> </ol>	<p>Complete the worksheet below to determine the amount to be entered on Line 49:</p> <ol style="list-style-type: none"> <li>1. Enter your <b>total income</b> that you received from North Carolina sources in 2005 while you were a nonresident of North Carolina (See Note A below) <span style="float: right;">1. _____</span></li> <li>2. Enter the amount from Form D-400, Line 38 that applies to the income received from North Carolina sources while you were a nonresident of North Carolina (See Note B below) <span style="float: right;">2. _____</span></li> <li>3. Add Lines 1 and 2 <span style="float: right;">3. _____</span></li> <li>4. Enter the amount from Form D-400, Line 47 that applies to the income received from North Carolina sources while you were a nonresident of North Carolina (See Note C below) <span style="float: right;">4. _____</span></li> <li>5. Subtract Line 4 from Line 3 and enter the total here and on Form D-400, Line 49 (See Note D below) <span style="float: right;">5. _____</span></li> </ol>	<p>Complete the worksheet below to determine the amount to be entered on Line 51:</p> <ol style="list-style-type: none"> <li>1. Enter your <b>Total Income</b> from your federal return (Form 1040, Line 22; Form 1040A, Line 15; or Form 1040EZ, Line 4) (See Note A below) <span style="float: right;">1. _____</span></li> <li>2. Enter the amount from Form D-400, Line 38 (See Note B below) <span style="float: right;">2. _____</span></li> <li>3. Add Lines 1 and 2 <span style="float: right;">3. _____</span></li> <li>4. Enter the amount from Form D-400, Line 47 (See Note C below) <span style="float: right;">4. _____</span></li> <li>5. Subtract Line 4 from Line 3 and enter the total here and on Form D-400, Line 51 (See Note D below) <span style="float: right;">5. _____</span></li> </ol>
<p><b>Note A:</b> If the amount entered on Line 1 above is a loss, enter as a negative amount.</p> <p><b>Note B:</b> The amount to be entered on Line 2 does not include the amounts on Line 33 or 34 or any portion of the amount on Line 37 that does not relate to gross income.</p> <p><b>Note C:</b> The amount to be entered on Line 4 does not include any portion of the amount on Line 46 that does not relate to gross income.</p> <p><b>Note D:</b> If Line 5 above is negative, be sure to fill in the circle preceding the appropriate line number on page 4 of Form D-400.</p>		
<p><b>Line 52</b></p> <p>Divide Line 50 by Line 51 and enter the result as a decimal amount on Line 52. Round to four decimal places. Enter the decimal amount from Line 52 on Form D-400, Line 12. (The decimal amount can be more than 1.0000. If the decimal amount is negative, enter 0.0000 on Line 52.)</p>		

# General Information for Claiming Tax Credits - Form D-400TC

## Credit for Tax Paid to Another State or Country

When income is taxed by North Carolina for a period during which you were a legal resident of North Carolina and the same income is also taxed by another state or country because it was earned in or derived from sources within that state or country, a tax credit may be claimed, but not on the basis of a withholding statement alone. Attach a copy of the return filed with the other state or country and a copy of the check or receipt if a balance of tax was paid with the return.

Complete the North Carolina return and include all income both within and outside the State. Compute the tax as though no credit is to be claimed. Complete Part 1 of Form D-400TC to determine the allowable tax credit. **The**

**amount entered on Line 1, Part 1 of Form D-400TC is total income from all sources received while a resident of North Carolina**, adjusted by the applicable additions and/or deductions to federal taxable income that relate to gross income that you listed on Form D-400, Page 3. The amount of **net tax paid** on Line 6 is any prepayment of tax (tax withheld, estimated tax payments, amount paid with extension, etc.) plus any additional tax paid or **less** any refunds received or expected to be received. Attach a copy of the tax return filed with the other state and proof of the payment.

Include on Line 2, Part 1 of Form D-400TC your share of any S Corporation income that is attributable to and taxed by another state, whether or not the other state taxed the income at the individual or corporate level.

Include on Line 6, Part 1, Form D-400TC the net tax you paid another state on your share of S Corporation income or your pro rata share of the net corporate tax paid by the S Corporation to another state that taxes the corporation rather than the shareholder. Attach a schedule to your return showing the total amount of tax paid to the other state by the S Corporation, and how your pro rata share of the tax was determined.

**If you claim credit for tax paid to more than one state or country**, use the worksheet below to determine the tax credit allowable for each state or country. Determine the total credits for all states by adding the amount on Line 7 of each worksheet and enter the total on Form D-400TC, Line 7a. Be sure to use separate worksheets to determine the separate credits for each state or country.

### Out-of-State Tax Credit Worksheet

1. Enter total income from all sources received while a resident of North Carolina, (combined for joint filers) adjusted by the applicable additions shown on Lines 35 through 37 and applicable deductions shown on Lines 39 through 46 of Form D-400. .... 1. \_\_\_\_\_
2. The portion of Line 1 that was taxed by the other state or country ..... 2. \_\_\_\_\_
3. Divide Line 2 by Line 1 and enter the result as a decimal amount (Round to four decimal places) ..... 3. . \_\_\_\_\_
4. Enter North Carolina income tax (From Form D-400, Line 14) ..... 4. \_\_\_\_\_
5. Multiply Line 3 by Line 4 ..... 5. \_\_\_\_\_
6. Amount of net tax paid to the other state or country on the income shown on Line 2 (See instructions above for definition of net tax paid) ..... 6. \_\_\_\_\_
7. Enter the lesser of Line 5 or Line 6 ..... 7. \_\_\_\_\_

## Credit for Child and Dependent Care Expenses

If you are entitled to claim an income tax credit for child and dependent care expenses on your federal return, you may claim a tax credit for such expenses on your North Carolina return.

**Important:** The maximum amount of qualified expenses for federal purposes is \$3,000 for one qualifying dependent and \$6,000 for two or more qualifying dependents. Under North Carolina law, the maximum qualifying expenses on which the credit is based is \$2,400 for one dependent and \$4,800 for two or more dependents.

If your employer paid dependent care benefits of \$2,400 or more for one dependent or \$4,800 or more for two or more dependents, you are not entitled to claim the child and dependent care tax credit on the State return.

For dependents who were age seven or older and not physically or mentally incapable of caring for themselves, the credit is from 7 percent to 9 percent of the federal employment-related expenses, depending on your filing status and federal adjusted gross income. For dependents who were under the age of seven and dependents who were physically or mentally incapable of caring for themselves, the tax credit is from 10 to 13

percent of the qualified federal employment-related expenses, depending on your filing status and your federal adjusted gross income. The federal employment-related expense is shown on Line 3 of Federal Form 2441 or on Line 3 of Schedule 2, Part II, of Federal Form 1040A. **However, do not enter more than \$2,400 for one dependent or \$4,800 for two or more dependents on Line 8, Part 2 of Form D-400TC.**

A nonresident or part-year resident is allowed the tax credit in the proportion that federal taxable income (as adjusted) is taxable to North Carolina.

For a dependent who reaches age seven during the taxable year and who is not physically or mentally incapable of caring for himself, the tax credit for employment-related expenses incurred prior to the dependent's 7th birthday will be calculated using the applicable percentage in **Column A**, and the tax credit for employment related expenses incurred after the dependent becomes age seven will be calculated by using the applicable percentage in **Column B**.

You must use the table below to determine the amounts to enter on Lines 10 and 12 of Form D-400TC.

### Child and Dependent Care Credit Table

Filing Status	Federal Adjusted Gross Income (Federal Form 1040, Line 37 or Federal Form 1040A, Line 21)	Column A	Column B
<u>Head of Household</u>	Up to \$20,000	.13	.09
	Over \$20,000 up to \$32,000	.115	.08
	Over \$32,000	.10	.07
<u>Joint Return or Surviving Spouse</u>	Up to \$25,000	.13	.09
	Over \$25,000 up to \$40,000	.115	.08
	Over \$40,000	.10	.07
<u>Single</u>	Up to \$15,000	.13	.09
	Over \$15,000 up to \$24,000	.115	.08
	Over \$24,000	.10	.07
<u>Married Filing Separately</u>	Up to \$12,500	.13	.09
	Over \$12,500 up to \$20,000	.115	.08
	Over \$20,000	.10	.07

**Credit for Children**

You may claim a child tax credit of \$100 on your State return for each dependent child for whom you are entitled to claim a child tax credit on your federal return if your federal adjusted gross income (Form 1040, Line 37; or Form 1040A, Line 21) is less than the following amount shown for your filing status: **Married filing jointly/qualifying widow(er) - \$100,000; Head of household - \$80,000; Single - \$60,000; or Married filing separately - \$50,000.**

**The credit for children can be claimed only for a child who was under 17 years of age on the last day of the year.** A nonresident or part-year resident is allowed the tax credit in the proportion that federal taxable income (as adjusted) is taxable to North Carolina.

Complete Form D-400TC, Part 3 to determine the allowable credit.

**Credit for Charitable Contributions by Nonitemizers**

If you claimed the standard deduction on your federal return, you may claim a tax credit for charitable contributions. You may not claim the credit if you claimed itemized deductions on your federal return. The allowable credit equals 7 percent of the amount by which your charitable contributions for the taxable year exceed 2 percent of your federal adjusted gross income. The credit may not be claimed for contributions for which the credit for certain real property donations or the credit for gleaned crops is claimed. A nonresident or part-year resident may claim a prorated credit equal to the percentage of income that is subject to North Carolina tax. The credit may not exceed the tax liability for the tax year, reduced by other tax credits.

Complete the following worksheet to determine the allowable credit.

**Worksheet for Determining Tax Credit for Charitable Contributions**

**Note:** You may not claim this credit if you claimed itemized deductions on your federal return.

1. Enter the amount of your charitable contributions for the taxable year ..... **1.** \_\_\_\_\_
2. Multiply your federal adjusted gross income from your federal return (Form 1040, Line 37; Form 1040A, Line 21; or Form 1040EZ, Line 4) by 2% and enter the result here.  
(Federal AGI \_\_\_\_\_ X .02) ..... **2.** \_\_\_\_\_
3. Subtract Line 2 from Line 1. If Line 2 equals or exceeds Line 1, **STOP HERE.** Enter - 0- on Form D-400TC, Line 20b ..... **3.** \_\_\_\_\_
4. Multiply Line 3 by 7% (.07) and enter the result. **Full-year residents** enter this amount on Line 6 ..... **4.** \_\_\_\_\_
5. **Nonresidents and part-year residents** multiply the amount on Line 4 by the decimal amount from Form D-400, Line 12 and enter the result here and on Line 6. If Line 12 is more than 1.0000, enter the amount from Line 4 here and on Line 6 ..... **5.** \_\_\_\_\_
6. Credit for charitable contributions (Enter on Form D-400TC, Line 20b) ..... **6.** \_\_\_\_\_

**Credit for Qualified Business Investments**

A tax credit is allowed for qualifying investments in the equity securities or subordinated debt of a qualified business venture, qualified grantee business, or a qualified licensee business. The credit is 25 percent of the amount invested or \$50,000, whichever is less. The tax credit is not allowed for the year in which the investment is made but is allowed for the taxable year beginning during the calendar year following the calendar year in which the investment was made. Any unused credit may be carried forward for the next succeeding five years. Your basis in the equity securities or subordinated debt acquired as a result of your investment must be reduced by the amount of allowable credit.

To be eligible for the tax credit, you must file **Form D-499, Application for Tax Credit for Qualified Business Investments**, with the Secretary of Revenue on or before April 15 of the year following the calendar year in which the investment was made. The date set for filing the application may be extended provided you furnish a written statement by April 15 requesting that you be allowed additional time in which to file the application. However, the date for filing the application may not be extended by the Secretary beyond September 15. **An extension of time to file your individual income tax return (Form D-400) does not extend the time for filing Form D-499.** See Page 2 of Form D-499 for additional rules and regulations for claiming the credit. The allowable credit should be shown on Form D-400TC, Line 21. You must attach a copy of the qualified business tax credit approval letter from the Department of Revenue to verify the credit claimed on the return.

**Credit for Disabled Taxpayer, Dependent, or Spouse**

If you claimed an income tax credit on your federal tax return for being permanently and totally disabled, you are entitled to a tax credit on your North Carolina return equal to one-third (1/3) of the amount of the federal tax credit. Although the federal tax credit is also allowed for being age 65 or older, no portion of the tax credit is allowed on the North Carolina return for being age 65 or older.

You may also be entitled to a tax credit if a dependent or spouse for whom you are allowed an exemption on your federal return is permanently and totally disabled. To qualify for the credit, a statement from a physician or local health department must be attached to your return certifying that the dependent was unable to engage in any substantial gainful activity by reason of a physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months.

A nonresident or part-year resident is allowed the tax credit in the proportion that federal taxable income (as adjusted) is taxable to North Carolina. The allowable credit is determined by completing **Form D-429, Worksheet for Determining the Credit for the Disabled Taxpayer, Dependent or Spouse.** The credit should be shown on Form D-400TC, Line 22. You may contact the Department for Form D-429 or you may download it from our website at [www.dornc.com](http://www.dornc.com).

# General Information for Claiming Tax Credits - Form D-400TC

## Credit for Certain Real Property Donations

A tax credit is allowed for a qualified donation of an interest in real property located in North Carolina that is useful for public beach access or use, public access to public waters or trails, fish and wildlife conservation, or other similar land conservation purposes. The credit is 25% of the fair market value of the donated property, but may not exceed \$250,000. (With respect to a credit claimed by a partnership, the \$250,000 limitation applies to each partner instead of to the partnership as a whole.) To be eligible for the credit, the interest in the property must be donated in perpetuity to and accepted by the State, a local government, or a body that is both organized to receive and administer lands for conservation purposes and qualified to receive charitable contributions under the Internal Revenue Code. To support the credit, a certification by the Department of Environment and Natural Resources that the donated property is suitable for one or more of the valid public benefits described above must be attached to your return.

The credit may not exceed the tax liability for the tax year, reduced by other tax credits. Any unused portion of the credit may be carried forward for the next succeeding five years.

## Credit for Rehabilitating an Historic Structure

**Income-producing** – Generally, a taxpayer who is allowed a federal income tax credit under section 47 of the Internal Revenue Code for making rehabilitation expenditures for a certified historic structure located in North Carolina is allowed a credit equal to 20% of the expenditures that qualify for the federal credit.

**Nonincome-producing** – Generally, a taxpayer who is not allowed a federal income tax credit under section 47 of the Internal Revenue Code and who makes rehabilitation expenses for a State-certified historic structure located in North Carolina is allowed a credit equal to 30% of the rehabilitation expenses. To qualify for the credit, the rehabilitation expenses must exceed \$25,000 within a 24-month period. You must attach to the return a copy of the certification obtained from the State Historic Preservation Officer verifying that the historic structure has been rehabilitated in accordance with the Secretary of the Interior's Standards for Rehabilitation.

**Important:** The credit for rehabilitating an historic structure must be claimed in five equal installments beginning with the taxable year in which the property is placed in service. Any unused portion of the credit may be carried forward for the succeeding five years.

## Other Income Tax Credits

### Credit for Property Taxes Paid by a Farmer on Farm Machinery

An individual engaged in the business of farming is allowed a credit of up to \$1,000 for the amount of property taxes paid on farm machinery or attachments and repair parts for farm machinery. Farm machinery is defined as machinery that is subject to State sales tax at

the rate of 1 percent under G.S. 105-164.4A. The credit may not exceed the tax liability for the year, reduced by other tax credits. To support the credit, you must attach a copy of the tax receipt for the property taxes for which the credit is claimed.

### Credit for Gleaned Crops

You are allowed a credit for unharvested crops which are donated to a qualified charitable organization. The credit is 10% of the season average price of the crop as determined by the North Carolina Crop and Livestock Reporting Service of the North Carolina Department of Agriculture and Consumer Services or the average price of the crop in the nearest local market for the month in which the crop is gleaned if the Crop and Livestock Reporting Service does not determine the season average price. Any unused portion of the credit can be carried forward to the next succeeding five years.

If the credit is claimed, the amount of the market price of the donated crops must be added to federal taxable income in determining North Carolina taxable income.

### Credit for Construction of Poultry Composting Facility

You are allowed a credit for constructing a poultry composting facility in North Carolina for the composting of poultry carcasses from commercial poultry operations. The credit is 25% of the installation, materials, and equipment costs of construction paid during the taxable year, not to exceed \$1,000 for any single installation. The portion of construction costs represented by State or federal agency provided funds cannot be used in determining the credit. The credit may not exceed the tax liability for the year, reduced by other tax credits and any unused credit may not be carried over to another tax year.

In the case of property owned by the entirety, if both spouses are required to file North Carolina income tax returns, the credit may be claimed only if the spouses file a joint return.

### Credit for Construction of Handicapped Dwelling Units

You are allowed a tax credit for constructing multi-family rental units located in North Carolina which conform to Volume I-C of the North Carolina Building Code. The credit is \$550 for each dwelling unit completed during the taxable year. To support the credit, you must attach to your return a copy of the occupancy permit on which the building inspector has recorded the number of units completed during the year. If the credit exceeds the tax liability for the year reduced by all other credits, the excess may be carried over only to the succeeding tax year.

### Credit for Conservation Tillage Equipment

A credit is allowed for the purchase of certain conservation tillage equipment for use in a farming business, including tree farming. The credit is 25% of the cost of the equipment, not to exceed \$2,500 for any taxable year. Qualifying conservation tillage equipment is (1) a planter designed to minimize disturbance of the soil in planting crops or trees, including equipment that may be attached to equipment

that you already own or (2) equipment designed to minimize disturbance of the soil in reforestation site preparation, including equipment that may be attached to equipment that you already own; provided, however this shall include only those items of equipment generally known as a "KG-Blade", and "drumchopper", or a "V-Blade".

The credit may be claimed only if you are the first purchaser of the equipment and may not be claimed if you purchased the equipment for use outside of North Carolina. Any excess credit may be carried forward for the next succeeding five years. The basis in any equipment for which a credit is allowed must be reduced by the amount of the credit.

### Business Incentive and Energy Tax Credits (Limited to 50% of Tax Liability)

The following tax credits are available as incentives to new and expanding businesses or for investing in renewable energy property or low-income housing. If you believe you are entitled to one or more of the tax credits, contact the Department for Form NC-478 Series or you may download the forms from our website at [www.dorn.com](http://www.dorn.com). Form NC-478 Series is used to calculate and report tax credits that are limited to 50% of your tax less the sum of all other tax credits that you claim. Complete the form and attach it to the front of your income tax return.

If you are entitled to one of the following tax credits, enter the amount of the credit on Line 31, Form D-400TC. **Do not enter a qualified business investment tax credit on Line 31.** Tax credits for qualified business investments are claimed on Line 21.

- Credit for investing in machinery and equipment
- Credit for creating jobs
- Credit for research and development
- Credit for worker training
- Credit for investing in central office or aircraft facility property
- Credit for technology commercialization
- Credit for development zone projects
- Credit for nonhazardous dry-cleaning equipment
- Credit for investing in low-income housing
- Credit for use of North Carolina ports
- Credit for investing in renewable energy property

**Important: The tax credits described in these instructions may not exceed the tax liability for the tax year, reduced by other tax credits.**



# North Carolina Tax Table

Use if your taxable income is less than \$68,000. If \$68,000 or more, use the Tax Rate Schedule.

**Example:** Mr. and Mrs. Smith are filing a joint return. Their taxable income on Line 13 of Form D-400 is \$25,320. First, they find the \$25,300-\$25,350 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is \$1,560. This is the tax amount they must write on Line 14 of Form D-400. ➔

At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
<b>Your tax is-</b>					
25,200	25,250	1,638	1,553	1,660	1,596
25,250	25,300	1,642	1,557	1,663	1,599
25,300	25,350	1,645	<b>1,560</b>	1,667	1,603
25,350	25,400	1,649	1,564	1,670	1,606

If Line 13, Form D-400 taxable income is-		And you are-				If Line 13, Form D-400 taxable income is-		And you are-				If Line 13, Form D-400 taxable income is-		And you are-			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		<b>Your tax is-</b>						<b>Your tax is-</b>						<b>Your tax is-</b>			
\$0	\$10	\$0	\$0	\$0	\$0	1,400	1,425	85	85	85	85	2,700	2,725	163	163	163	163
10	25	1	1	1	1	1,425	1,450	86	86	86	86	2,725	2,750	164	164	164	164
25	50	2	2	2	2	1,450	1,475	88	88	88	88	2,750	2,775	166	166	166	166
50	75	4	4	4	4	1,475	1,500	89	89	89	89	2,775	2,800	167	167	167	167
75	100	5	5	5	5												
100	125	7	7	7	7	1,500	1,525	91	91	91	91	2,800	2,825	169	169	169	169
125	150	8	8	8	8	1,525	1,550	92	92	92	92	2,825	2,850	170	170	170	170
150	175	10	10	10	10	1,550	1,575	94	94	94	94	2,850	2,875	172	172	172	172
175	200	11	11	11	11	1,575	1,600	95	95	95	95	2,875	2,900	173	173	173	173
200	225	13	13	13	13	1,600	1,625	97	97	97	97	2,900	2,925	175	175	175	175
225	250	14	14	14	14	1,625	1,650	98	98	98	98	2,925	2,950	176	176	176	176
250	275	16	16	16	16	1,650	1,675	100	100	100	100	2,950	2,975	178	178	178	178
275	300	17	17	17	17	1,675	1,700	101	101	101	101	2,975	3,000	179	179	179	179
300	325	19	19	19	19	1,700	1,725	103	103	103	103	<b>3,000</b>					
325	350	20	20	20	20	1,725	1,750	104	104	104	104	3,000	3,050	182	182	182	182
350	375	22	22	22	22	1,750	1,775	106	106	106	106	3,050	3,100	185	185	185	185
375	400	23	23	23	23	1,775	1,800	107	107	107	107	3,100	3,150	188	188	188	188
400	425	25	25	25	25	1,800	1,825	109	109	109	109	3,150	3,200	191	191	191	191
425	450	26	26	26	26	1,825	1,850	110	110	110	110	3,200	3,250	194	194	194	194
450	475	28	28	28	28	1,850	1,875	112	112	112	112	3,250	3,300	197	197	197	197
475	500	29	29	29	29	1,875	1,900	113	113	113	113	3,300	3,350	200	200	200	200
500	525	31	31	31	31	1,900	1,925	115	115	115	115	3,350	3,400	203	203	203	203
525	550	32	32	32	32	1,925	1,950	116	116	116	116	3,400	3,450	206	206	206	206
550	575	34	34	34	34	1,950	1,975	118	118	118	118	3,450	3,500	209	209	209	209
575	600	35	35	35	35	1,975	2,000	119	119	119	119	3,500	3,550	212	212	212	212
600	625	37	37	37	37	<b>2,000</b>				3,550	3,600	215	215	215	215	215	215
625	650	38	38	38	38	2,000	2,025	121	121	121	121	3,600	3,650	218	218	218	218
650	675	40	40	40	40	2,025	2,050	122	122	122	122	3,650	3,700	221	221	221	221
675	700	41	41	41	41	2,050	2,075	124	124	124	124	3,700	3,750	224	224	224	224
700	725	43	43	43	43	2,075	2,100	125	125	125	125	3,750	3,800	227	227	227	227
725	750	44	44	44	44	2,100	2,125	127	127	127	127	3,800	3,850	230	230	230	230
750	775	46	46	46	46	2,125	2,150	128	128	128	128	3,850	3,900	233	233	233	233
775	800	47	47	47	47	2,150	2,175	130	130	130	130	3,900	3,950	236	236	236	236
800	825	49	49	49	49	2,175	2,200	131	131	131	131	3,950	4,000	239	239	239	239
825	850	50	50	50	50	2,200	2,225	133	133	133	133	<b>4,000</b>					
850	875	52	52	52	52	2,225	2,250	134	134	134	134	4,000	4,050	242	242	242	242
875	900	53	53	53	53	2,250	2,275	136	136	136	136	4,050	4,100	245	245	245	245
900	925	55	55	55	55	2,275	2,300	137	137	137	137	4,100	4,150	248	248	248	248
925	950	56	56	56	56	2,300	2,325	139	139	139	139	4,150	4,200	251	251	251	251
950	975	58	58	58	58	2,325	2,350	140	140	140	140	4,200	4,250	254	254	254	254
975	1,000	59	59	59	59	2,350	2,375	142	142	142	142	4,250	4,300	257	257	257	257
1,000	1,025	61	61	61	61	2,375	2,400	143	143	143	143	4,300	4,350	260	260	260	260
1,025	1,050	62	62	62	62	2,400	2,425	145	145	145	145	4,350	4,400	263	263	263	263
1,050	1,075	64	64	64	64	2,425	2,450	146	146	146	146	4,400	4,450	266	266	266	266
1,075	1,100	65	65	65	65	2,450	2,475	148	148	148	148	4,450	4,500	269	269	269	269
1,100	1,125	67	67	67	67	2,475	2,500	149	149	149	149	4,500	4,550	272	272	272	272
1,125	1,150	68	68	68	68	2,500	2,525	151	151	151	151	4,550	4,600	275	275	275	275
1,150	1,175	70	70	70	70	2,525	2,550	152	152	152	152	4,600	4,650	278	278	278	278
1,175	1,200	71	71	71	71	2,550	2,575	154	154	154	154	4,650	4,700	281	281	281	281
1,200	1,225	73	73	73	73	2,575	2,600	155	155	155	155	4,700	4,750	284	284	284	284
1,225	1,250	74	74	74	74	2,600	2,625	157	157	157	157	4,750	4,800	287	287	287	287
1,250	1,275	76	76	76	76	2,625	2,650	158	158	158	158	4,800	4,850	290	290	290	290
1,275	1,300	77	77	77	77	2,650	2,675	160	160	160	160	4,850	4,900	293	293	293	293
1,300	1,325	79	79	79	79	2,675	2,700	161	161	161	161	4,900	4,950	296	296	296	296
1,325	1,350	80	80	80	80	2,700	2,725	161	161	161	161	4,950	5,000	299	299	299	299
1,350	1,375	82	82	82	82												
1,375	1,400	83	83	83	83												

\* This column must also be used by a qualifying widow(er)







Tax Table - Continued

Table with multiple columns: If Line 13, Form D-400 taxable income is- (At least, But less than), And you are- (Single, Married filing jointly, Married filing separately, Head of a household), Your tax is-, and corresponding tax values for various income brackets (e.g., 32,000-35,000, 35,000-38,000, etc.).

\* This column must also be used by a qualifying widow(er)

Continued on next page









# 2005 Tax Rate Schedule

Caution: Use **ONLY** if your taxable income (Form D-400, Line 13) is \$68,000 or more. If less, use the **North Carolina Tax Table** beginning on Page 17.

<b><u>If your filing status is</u></b>	<b><u>And taxable income is more than</u></b>	<b><u>But not over</u></b>	<b><u>The Tax is</u></b>
Single	\$ 0	\$ 12,750	6% of the amount on Line 13, D-400
	\$ 12,750	\$ 60,000	\$765 + 7% of the amount over \$12,750
	\$ 60,000	\$ 120,000	\$4,072.50 + 7.75% of the amount over \$60,000
	\$ 120,000	-----	\$8,722.50 + 8.25% of the amount over \$120,000
Head of Household	\$ 0	\$ 17,000	6% of the amount on Line 13, D-400
	\$ 17,000	\$ 80,000	\$1,020 + 7% of the amount over \$17,000
	\$ 80,000	\$ 160,000	\$5,430 + 7.75% of the amount over \$80,000
	\$ 160,000	-----	\$11,630 + 8.25% of the amount over \$160,000
Married Filing Jointly or Qualifying Widow(er)	\$ 0	\$ 21,250	6% of the amount on Line 13, D-400
	\$ 21,250	\$ 100,000	\$1,275 + 7% of the amount over \$21,250
	\$ 100,000	\$ 200,000	\$6,787.50 + 7.75% of the amount over \$100,000
	\$ 200,000	-----	\$14,537.50 + 8.25% of the amount over \$200,000
Married Filing Separately	\$ 0	\$ 10,625	6% of the amount on Line 13, D-400
	\$ 10,625	\$ 50,000	\$637.50 + 7% of the amount over \$10,625
	\$ 50,000	\$ 100,000	\$3,393.75 + 7.75% of the amount over \$50,000
	\$ 100,000	-----	\$7,268.75 + 8.25% of the amount over \$100,000

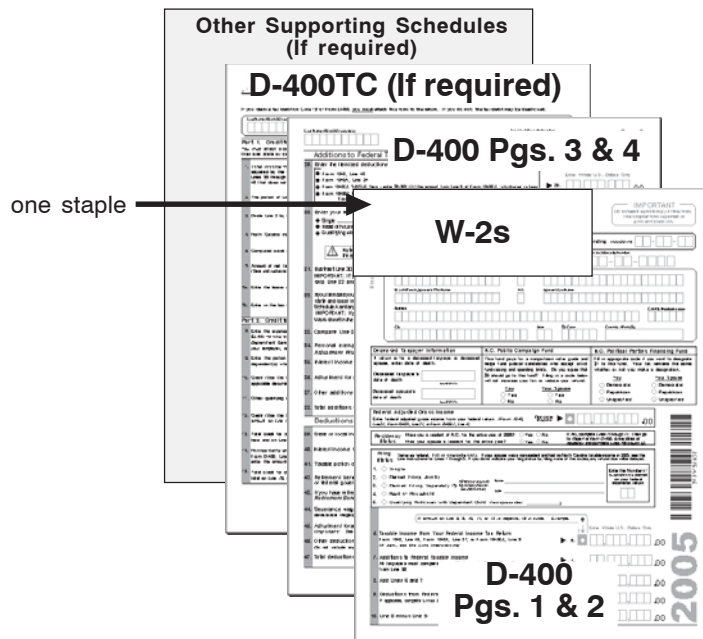
## Important Reminders

- Do not submit photocopies of the return. Submit original forms only. Do not use any prior year forms to file a current year return.
- Double-check your figures, including your social security number. Accuracy speeds processing of your tax return.
- Claim the same filing status you claimed on your federal return. (Nonresidents see instructions on page 7.) If you do not fill in the applicable circle to indicate your filing status, processing of your return will be delayed.
- Sign and date your return on Page 4. If you file a joint tax return, both you and your spouse must sign the return. Staple the originals or copies of the original State wage and tax statements in the top left-hand corner of the return.
- You must include a copy of your federal return with your North Carolina return unless your federal return reflects a North Carolina address or you file electronically.
- If you owe additional tax and you received a pre-addressed income tax booklet, use the payment voucher (**Form D-400V**) included with the booklet to make your payment. **Note:** 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. Enter your social security number(s) in the boxes provided on the voucher. Do not use **Form D-400V** if any of the preprinted information does not match what you entered on your return. Do not staple, tape, or otherwise attach your payment or voucher to your return or to each other. Instead, just put them loose in the envelope. In lieu of using the payment voucher, you may pay your tax liability online by bank draft or credit or debit card using Visa or MasterCard. Visit our website at [www.dornc.com](http://www.dornc.com) for details.

## What you should send us...

- ✓ Your North Carolina income tax return (Form D-400) along with Form D-400TC if you claimed a tax credit
- ✓ W-2s and 1099s showing North Carolina tax withheld and a 1099R if you claimed a **Bailey** retirement deduction
- ✓ A check or money order payable to "N.C. Department of Revenue" if you have a balance due. (**Note:** 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.) If you received a pre-addressed income tax booklet, include the completed payment voucher (Form D-400V).
- ✓ Other North Carolina forms or supporting schedules that are required according to the instructions (Please do not send copies of completed worksheets from the instruction booklet or other unnecessary attachments.)
- ✓ A copy of the tax return you filed in the other state if you're claiming a tax credit for tax paid to another state

## Assemble your North Carolina return for mailing in the order shown



**Note:** If you are filing Form NC-478 series, be sure to attach the form to the front of your income tax return.

**Important:** If you owe tax, do not staple, tape, or otherwise attach your check or voucher to your return or to each other. Instead, just put them loose in the envelope.

## North Carolina Department of Revenue Service Centers

(Each office is open Monday through Friday from 8:00 am to 5:00 pm)

In addition to the service center numbers listed below, see the **Important Toll Free Telephone Numbers** on the back cover of this booklet.

<u>Office</u>	<u>Phone</u>	<u>Office Location</u>
<b>Asheville</b> .....	(828) 667-5087 .....	N. C. Department of Revenue 2800 Heart Drive Asheville, NC 28806
<b>Charlotte</b> .....	(704) 519-3000 .....	N. C. Department of Revenue Woodlawn Green Office Complex 5111 Nations Crossing Road Charlotte, NC 28217
<b>Elizabeth City</b> .....	(252) 331-4746 .....	N. C. Department of Revenue 401 S. Griffin Street, Suite 300 Elizabeth City, NC 27906
<b>Fayetteville</b> .....	(910) 486-1211 .....	N. C. Department of Revenue 225 Green Street, Suite 800 Fayetteville, NC 28301
<b>Greensboro</b> .....	(336) 315-7001 .....	N. C. Department of Revenue 5 Centerview Drive Lenoir Building, Koger Center Greensboro, NC 27407
<b>Greenville</b> .....	(252) 830-8534 .....	N. C. Department of Revenue 2995 Radio Station Road Greenville, NC 27835
<b>Hickory</b> .....	(828) 327-7474 .....	N. C. Department of Revenue 112 2nd St. Pl. SE Hickory, NC 28602
<b>Raleigh</b> .....	(919) 733-3981 .....	N. C. Department of Revenue 1st Floor, South Core, Revenue Bldg. 501 N Wilmington St Raleigh, NC 27604
<b>Rocky Mount</b> .....	(252) 442-3117 .....	N. C. Department of Revenue Suite 239 Station Square Rocky Mount, NC 27804
<b>Wilmington</b> .....	(910) 251-5752 .....	N. C. Department of Revenue 33 Darlington Avenue Wilmington, NC 28403
<b>Winston Salem</b> .....	(336) 896-7024 .....	N. C. Department of Revenue 8025 Northpoint Boulevard, Suite 250 Winston-Salem, NC 27106

### Maintaining Records

You should keep canceled checks, receipts, or other documentation, including a copy of your federal return, to verify any amount entered on your tax return for a period of at least three years from the due date of the return or three years from the date the return is filed, whichever is later. Lack of adequate records may result in the disallowance of all or part of the deductions. Your canceled check, money order stub, or Departmental receipt showing payment of tax should be kept for at least five years from the due date of the tax return.

### Important Notice Regarding Substitute Returns

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 our imaging and scanning equipment will be returned to the taxpayer with instructions to refile on an acceptable form.

### Federal Privacy Act Notice

Disclosing your social security number on your return is required by regulations issued by the Secretary of Revenue under G.S. 105-152, 155, 251, and 252. Social security numbers are used to identify individuals in the administration of the State's tax laws and to exchange tax information with other states and the Internal Revenue Service. Always list your social security number on any attachments to your return and on any correspondence to the Department of Revenue.

## Property for Sale

Looking for a bargain on good used vehicles, furniture, appliances, tools, and jewelry? Go to [www.dorn.com/taxes/usub/](http://www.dorn.com/taxes/usub/) and click on **Items Available Through State Surplus Property Agency** or **Items Available Through eBay**, or call **(919) 854-2160**.

## Frequently Asked Questions

Call **1-877-252-3052 (toll free)** and select option 3 for Individual Income Tax to hear recorded information on many frequently asked income tax questions. This service is available 24 hours a day, seven days a week. Listed below are the categories and messages that are available to help you access the information more efficiently.

### Filing Requirements

- Electronic Services
- Nonresidents and Part-Year Residents
- Filing Status and Tax Rates
- When, Where, and How to File Your N.C. Return
- When, Where, and How to File Your Amended Return
- Extensions

### Assessments and Payments

- Notice of Assessment
- Payment Agreements
- Penalties and Interest
- Estimated Tax Payments
- Common Errors When Preparing Your N.C. Return
- Changes Made by the Internal Revenue Service

### Starting Point, Additions, and Deductions

- Federal Taxable Income-Starting Point for Your N.C. Return
- State Income Tax/Standard Deduction Adjustment
- Personal Exemption Adjustment
- Additional First-Year Depreciation Adjustment
- Retirement Benefits Deduction
- Severance Pay Deduction

### Refunds

- When to Expect Your Refund
- Address Change
- Refund Claimed by a State Agency or IRS
- Lost or Stolen Refund Check
- When to Expect Your Amended Refund
- Problems with Your W-2 Forms

### Tax Credits

- Credit for Children
- Credit for Child and Dependent Care Expenses
- Credit for Charitable Contributions for Nonitemizers
- Credit for Income Tax Paid to Another State or Country

### Filing Requirements for Military Personnel, including Military Spouses, Reservist and National Guard

- Determining State of Legal Residence
- N.C. Resident Military Personnel Stationed in the U.S.
- N.C. Resident Military Personnel Stationed Outside the U.S.
- Nonresident Military Personnel Stationed in N.C.
- Active Duty Military Serving in Combat Zone
- National Guard and Reservists Called to Active Duty

## Important Toll Free Telephone Numbers

**Automated Refund Inquiry Line ..... 1-877-252-4052**

**Taxpayer Assistance and Forms ..... 1-877-252-3052**

Assistance and Forms are also available at any of the Department of Revenue Service Centers and from our website at [www.dorn.com](http://www.dorn.com).

## Assistance For Disabled, Low Income, and Senior Citizen Taxpayers

If you are disabled, have a low income, or are a senior citizen, income tax returns can be prepared free of charge through the VITA (Volunteer Income Tax Assistance)/TCE (Tax Counseling for the Elderly) programs. For locations and dates of assistance, taxpayers in North Carolina can call the Internal Revenue Service toll free, **1-800-829-1040**, weekdays.

## Mailing Addresses

**If you are due a refund:** ⇒ N.C. Department of Revenue  
P.O. Box R  
Raleigh, N.C. 27634-0001

**If you are not due a refund:** ⇒ N.C. Department of Revenue  
P.O. Box 25000  
Raleigh, N.C. 27640-0640

## Tax Fraud Hotline 1-800-232-4939

(733-6354 in Wake County)

The Department of Revenue provides a toll free number for citizens who wish to report instances of tax fraud. The number is 1-800-232-4939 (8:00 a.m. to 5:00 p.m., Monday through Friday, except holidays) and should be called **only** to report instances of fraud.

**450,000 copies of this booklet were printed at a cost of \$37,899 or approximately \$0.084 each**