

Form NC-478 - Summary of Tax Credit Limited to 50% of Tax

Part 1. Tax Credits Subject to 50% of Tax Limitation. After completing the applicable parts on Forms NC-478A through NC-478I, enter the "Credit Amount to Take in Tax Year 2005" from each form on the appropriate line in Part 1 of Form NC-478. Add Lines 1 through 12 and enter the total on Line 13. **This is the total amount of tax credits available in 2005 subject to the 50% of tax limitation.**

Note. If claiming a credit for use of North Carolina ports, complete and attach Form NC-414. If claiming a credit for constructing a renewable energy equipment facility, manufacturing cigarettes for export, investing in substantial real property, or contributing to a development zone project, complete and attach a separate schedule showing how you calculated the credit. Also, fill in the applicable circle on Line 12.

Individuals, partnerships, and trusts or estates enter the credits only in the income column because franchise tax is not required for these types of entities. **Partnerships** enter only the portion of each credit that is allocable to their nonresident partners on whose behalf the managing partner pays the tax. **All corporations** may elect to claim each credit against franchise or income tax except for the credit for use of North Carolina ports, the credit for manufacturing cigarettes for export, or the credit for a renewable energy equipment facility. Those three credits may only be claimed against income tax. The credit for technology commercialization may be divided between franchise and income tax. **The election of which tax a credit will be claimed against or what percentage of the credit for technology commercialization will be applied against each tax is made at the time the first installment is claimed and is binding for all future installments and carryforwards of that credit.**

S corporations enter the total amount of credit being applied against franchise tax. However, S corporations enter in the income column only the portion of each credit that is allocable to the nonresident shareholders on whose behalf a composite return is filed. **Insurance companies** may claim the credits against the gross premiums tax by entering the total amount of credit in the Franchise column.

Part 2. Computation of 50% Limit. Complete Part 2 to determine if the total credits calculated in Part 1 must be reduced because the total credits available in 2005 exceed 50% of the tax due in 2005 less other credits not subject to the 50% of tax limit.

Line 14 - Individuals enter the amount of tax due from Form D-400, Line 14. **Partnerships** add the amounts on Form D-403, Part 3, Line 18 for each nonresident partner and enter the total here. **Trusts and estates** enter the amount of tax due from Form D-407, Line 8. **C corporations** enter the amount of franchise tax due from Form CD-405, Schedule A, Line 5, in the Franchise column, and the amount of income tax due from Form CD-405, Schedule B, Line 26, in the Income column. **S corporations** enter the amount of franchise tax due from Form CD-401S, Schedule A, Line 5, in the Franchise column and the amount of income tax due for nonresident shareholders filing composite from Form CD-401S, Schedule B, Line 22, in the Income column. **Insurance companies** enter the total amount of gross premiums tax.

Line 15 - Individuals enter the amount from Form D-400TC, Line 30. **Corporations** enter the amount from Form CD-425, Part 2, Line 6, in the Franchise column, and the amount from Form

CD-425, Part 3, Line 19, in the Income column. **Partnerships** enter the amount from Form D-403TC, Line 6. **Trusts and estates** enter the amount from Form D-407TC, Line 7.

Line 18 - Enter the lesser of Part 1, Line 13, or Part 2, Line 17.

Part 3. Amount of Each Credit Taken in 2005. If the amount of available credits on Part 1, Line 13 is less than the amount on Part 2, Line 17, then the total amount of eligible tax credits available in 2005 does not exceed 50% of the 2005 tax liability. Enter on Part 3, Line 19 through 30 the same amounts entered on Part 1, Lines 1 through 12.

If the amount of available credits on Part 1, Line 13, is greater than the amount on Part 2, Line 17, then the total amount of eligible tax credits available in 2005 exceeds 50% of the 2005 tax liability. The amount of eligible tax credits from Part 1, Line 13, must be reduced to equal the amount on Part 2, Line 18. A taxpayer may choose how to allocate the allowable amount of credit (Line 18) among the credits for which it is eligible (Lines 1 through 12) by completing Lines 19 through 30. If the amount of eligible credit in Part 1 exceeds the amount of allocated credit in Part 3, a taxpayer may be eligible to carry forward the excess amount to the next year.

Line 31 - Add Lines 19 through 30 and enter the total. This amount can not exceed the amount on Part 2, Line 18. **This is the total amount of tax credits actually taken in 2005.**

Individuals enter the amount of tax credits on Form D-400TC, Part 4, Line 31. **Partnerships** enter the amount of tax credits on Form D-403TC, Part 2, Line 9. **Trusts and estates** enter the amount of tax credits on Form D-407TC, Part 2, Line 10. **Corporations** enter the total amount of tax credits applied against franchise tax on Form CD-425, Part 2, Line 8, and the total amount of tax credits applied against income tax on Form CD-425, Part 4, Line 23. **Insurance companies** claim the amount of tax credits on the gross premiums tax return.

Part 4. If you claimed a tax credit for investing in renewable energy property on Part 1, Line 7, enter on Line 32 the cost of renewable energy property placed in service during 2005 for which the credit is allowed. If you claimed a tax credit for investing in non-hazardous dry-cleaning equipment on Part 1, Line 10, enter on Line 33 the cost of non-hazardous dry-cleaning equipment placed in service during 2005 for which the credit is allowed. If you claimed a tax credit for constructing renewable fuel facilities on Part 1, Line 11, enter on Line 34 the cost of renewable fuel facility property placed in service during 2005 for which the credit is allowed. Enter the amounts even if you were required to allocate credits in Part 3 and elected to enter \$0 on Lines 25, 28, or 29.

Partnerships enter only the portion of the cost of renewable energy property, non-hazardous dry-cleaning equipment, or renewable fuel facilities that is allocable to the nonresident partners on whose behalf the managing partner pays the tax. **Trusts and estates** enter only the portion of the cost of renewable energy property, non-hazardous dry-cleaning equipment, or renewable fuel facilities that is allocated to the fiduciary. **S corporations** enter the total cost of renewable energy property, non-hazardous dry-cleaning equipment, or renewable fuel facilities if the credit is being applied against franchise tax. If the credit is being applied against income tax, enter only the portion of the cost of renewable energy property, non-hazardous dry-cleaning equipment, or renewable fuel facilities that is allocable to the nonresident shareholders on whose behalf a composite return is filed.