

Credit History Table Example

The purpose of the Credit History Table is to provide a means for taxpayers to track both the credit amount available for each tax year and the actual credit taken as an installment. By using the Credit History Table, taxpayers can verify that the amount of credit taken for each installment does not exceed the amount of credit actually available to the taxpayer. The table also provides a means for tracking any unused portion of an installment that can be carried to future years or has expired.

The example below shows how the M & E Credit History Table (Article 3A, Form NC-478B) is completed.

2005 Column. In 2005, ABC Corporation was eligible to claim \$7000 of M & E credit. Taxpayer entered \$7000 in the "Credit Amount" box. Based upon the credit amount, each installment available to ABC Corporation for tax years 2006 through 2012 is \$1000 ($\$7000 \div 7$ years). For tax years 2006 through 2009, ABC Corporation's income tax liability was sufficient to claim 100% of the available installment amount. Taxpayer entered \$1000 in the 2005 column for installments 1, 2, 3, and 4.

In 2010, ABC Corporation was limited to \$980 of its available M & E installment and had \$20 of installment to carry forward to 2011. Taxpayer entered in the 2005 column \$980 for the 5th installment and \$20 in the "Carryforwards to Take in Future" box.

In 2011, ABC Corporation was limited to \$52 of its available M & E installments and carryforwards. Taxpayer used the \$20 carryforward from the 2005 5th installment and \$32 of the 6th installment. Taxpayer entered in the 2005 column \$52 for the 6th installment, \$20 in the "Carryforwards Taken" box, and \$968 in the "Carryforwards to Take in Future" box. The carryforward is calculated as follows: $\$1000$ (2005 6th installment available) + $\$20$ (2005 5th installment carryforward available) - $\$52$ (amount of credit actually taken in 2011) = $\$968$.

In 2012, ABC Corporation's income liability was sufficient to claim \$1700 of available M & E installments plus carryforwards. Taxpayer used the \$968 carryforward from the 2005 6th installment. Taxpayer entered in the 2005 column \$1700 for the 7th installment, \$968 in the "Carryforwards Taken" box, and \$268 in the "Carryforwards to Take in Future" box. The carryforward is calculated as follows:

$\$1000$ (2005 7th installment) plus $\$968$ (2005 6th installment carryforward available) - $\$1700$ (amount of credit actually taken in 2012) = $\$268$.

2007 Column. In 2007, ABC Corporation was eligible to claim \$8750 of M & E credit by submitting a signed letter of commitment with the Department of Commerce on December 31, 2006. Taxpayer entered \$8750 in the "Credit Amount" box. Based upon the credit amount, each installment available to ABC Corporation for tax years 2008 through 2014 is \$1250 ($\$8750 \div 7$). However, in 2008 ABC Corporation partially disposed of machinery and equipment used to qualify for the M & E credit in 2007, thereby reducing the amount of each future installment available to \$250.

In 2008, ABC Corporation did not have sufficient income tax to take the 1st installment of the 2007 M & E Credit. Taxpayer entered in the 2007 column, \$0 for the 1st installment, \$250 in the "Carryforwards to Take in the Future" box, and \$1000 in the "Expired Installments" box. If the taxpayer does not dispose of additional machinery and equipment used to qualify for the 2007 M & E credit, the "Expired Installments" box will increase by \$1000 each year.

In 2009, ABC Corporation was limited to \$250 of its available M & E installment and carryforwards (see the 2007 column). Taxpayer used \$250 of the carryforward from the 2007 1st installment. Taxpayer entered in the 2007 column \$250 for the 2nd installment, \$250 in the "Carryforwards Taken" box, \$250 in the "Carryforwards to Take in Future" box, and \$2000 in the "Expired Installments" box.

In 2010, ABC Corporation was eligible to claim \$500 of M & E credit. Taxpayer entered in the 2007 column \$500 (\$250 of the carryforward from the 2007 2nd installment and \$250 for the 3rd installment), \$500 in the "Carryforwards Taken" box, and \$3000 in the "Expired Installments" box.

In 2011, ABC Corporation was eligible to claim \$150 of M & E installments plus carryforwards. Taxpayer entered in the 2007 column \$150 for the 4th installment and \$100 in the "Carryforwards to Take in Future" box and \$4000 in the "Expired Installments" box.

In 2012, ABC Corporation was eligible to claim \$300 of M & E installments plus carryforwards. Taxpayer entered in the 2007 column \$300 (\$200 for the 5th installment and \$100 from the carryforward from the 4th installment), \$650 "Carryforward Taken", \$50 "Carryforward to be Taken", and \$5000 in the "Expired Installments" box.

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Part 5. M & E Credit History Table			
Tax Year	2005	2006	2007
Credit Amount	7000		8750
	<i>Taken in 2006</i>	<i>Taken in 2007</i>	<i>Taken in 2008</i>
1st	Franchise		
	Income	1000	0
	<i>Taken in 2007</i>	<i>Taken in 2008</i>	<i>Taken in 2009</i>
2nd	Franchise		
	Income	1000	250
	<i>Taken in 2008</i>	<i>Taken in 2009</i>	<i>Taken in 2010</i>
3rd	Franchise		
	Income	1000	500
	<i>Taken in 2009</i>	<i>Taken in 2010</i>	<i>Taken in 2011</i>
4th	Franchise		
	Income	1000	150
	<i>Taken in 2010</i>	<i>Taken in 2011</i>	<i>Taken in 2012</i>
5th	Franchise		
	Income	980	300
	<i>Taken in 2011</i>	<i>Taken in 2012</i>	<i>Taken in 2013</i>
6th	Franchise		
	Income	52	
	<i>Taken in 2012</i>	<i>Taken in 2013</i>	<i>Taken in 2014</i>
7th	Franchise		
	Income	1700	
Carryforwards Taken	968		650
Carryforwards to Take in Future	268		50
Expired Installments			5000