

NC-478K - Investing in Business Property

The credit for investing in business property is based upon the enterprise tier of the area in which business property is placed in service and is taken in four equal installments beginning in the tax year following the year in which the business property was placed in service. Any unused portion of the credit may be carried forward for five succeeding years. In addition, in order to claim the credit for investing in business property, you must provide all the eligibility information requested on the Article 3J Supplement.

The following instructions for completing Part 1 through Part 4 of NC-478K apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 4.

Part 1. Computation of Credit Amount for Investing in Business Property in 2013. *(The information requested for Part 1 is for a single county at which business property was placed in service during tax year 2013. If business property was placed in service in more than one county in 2013, complete a separate NC-478K for each county.)*

Line 1. Enter the county where the business property was placed in service.

Line 2. Enter the cost of business property placed in service in North Carolina during 2013. **(Note.** *The information requested on Part 1, Line 2 is the total cost of business property placed in service in North Carolina during the tax year and will be the same on all NC-478Ks filed for tax year 2013.*)

Line 3. Enter the cost of business property in service in North Carolina on the last day of 2013. **(Note.** *The information requested on Part 1, Line 3 is the total cost of business property in service in North Carolina during the tax year and will be the same on all NC-478Ks filed for tax year 2013.*)

Line 4. Enter the cost of business property in service in North Carolina on the last day of the base year. The base year is the year with the largest amount of business property of the 3 previous years. **(Note.** *The information requested on Part 1, Line 4 is the total cost of business property in service in North Carolina on the last day of the base year and will be the same number on all NC-478Ks filed for tax year 2013.*)

Line 5. Subtract Line 4 from Line 3. This is the excess of the cost of all eligible business property on the last day of 2013 over the cost of all eligible business property on the last day of the base year. **(Note.** *The information requested on Part 1, Line 5 is the total excess of cost of all eligible business property on the last day of 2013 over the cost of all eligible business property on the last day of the base year and will be the same number on all NC-478Ks filed for tax year 2013.*)

Line 6. Enter the lesser of Line 2 or Line 5. This is the eligible investment amount for investing in business property statewide.

Line 7. Enter the amount of Line 6 located in this county but **NOT** in an agrarian growth zone, urban progress zone, or port enhancement zone.

Line 8. Enter the threshold amount for the applicable tier:

Tier 1	Tier 2	Tier 3
\$ -0-	\$1,000,000	\$2,000,000

Line 9. Subtract Line 8 from Line 7. This is the excess of eligible investment amount for investing in business property over the applicable threshold.

Line 10. Multiply Line 9 by the percentage for the applicable tier. This is the credit amount for investing in business property in this county in 2013 **NOT** located in an agrarian growth zone, urban progress zone, or port enhancement zone.

Tier 1	Tier 2	Tier 3
7%	5%	3.5%

Line 11. Enter the amount of Line 6 located in this county **AND** in an agrarian growth zone, urban progress zone, or port enhancement zone.

Line 12. Multiply Line 11 by 7%.

Line 13. Add Line 10 and Line 12. **This is the total credit for investing in business property in this county in 2013.** The total credit amount for investing in business property in 2013 for **ALL** counties must also be entered in the Credit History Table. *(See Part 4, 2013 Column, Credit Amount)*

Line 14. Divide Line 13 by the number 4. This is the amount of each installment for this county to be taken starting in tax year 2014.

Part 2. Business Property in Service in North Carolina on the Last Day of the Tax Year. *(The information requested for Part 2 is a cumulative total for all counties and is entered only once on the last NC-478K filed.)*

Enter the total cost of all eligible business property in service in North Carolina on the last day of the tax year for each year requested. This information is used to determine the base year on Part 1, Line 4.

Part 3. Computation of Amount To Be Taken in 2013. *(The information requested for Part 3 is a cumulative total for all counties and should be entered only once on the last NC-478K filed.)*

Line 15. Enter the 2012 installment amount.
(From 2012 NC-478K, Part 1, Line 14)

Line 16. Enter the 2011 installment amount.
(From 2011 NC-478K, Part 1, Line 14)

Line 17. Enter the 2010 installment amount.
(From 2010 NC-478K, Part 1, Line 14)

Line 18. Enter the 2009 installment amount.
(From 2009 NC-478K, Part 1, Line 14)

Line 19. Enter the portion of installment amounts not taken for tax years 2008 - 2011.

Line 20. Add Lines 15 through 19. **This is the amount of credit to take in 2013 for investing in business property.**

(Carry amount to Line 6 of NC-478)

Part 4. Business Property Credit History Table. 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. (**Note.** *The installment portion of the Credit History Table can not be completed in its entirety until after completing Part 3 of NC-478.*)

Credit Amount In the 2013 column, enter the total credit amount for investing in business property in tax year 2013. (*Add Part 1, Line 13 for all counties*) In the 2009 through 2012 columns, enter the total credit amount as calculated on the prior year's NC-478K.

Installments In the 2009 through 2013 columns, enter the amount of installment actually taken in each tax year. The amount of installment taken includes the amount of each year's installment utilized during the tax year plus any unused portion of a prior year's carryforward taken in that tax year.

Carryforwards Taken If any portion of a prior year's installment is taken in tax year 2013, enter the amount in the applicable column. (**Important.** *Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2013 a portion of a prior year's installment is utilized.*)

Carryforwards To Take In Future If the current year's installment is not fully utilized in tax year 2013, enter the amount not taken as a carryforward to take in the future. (**Important.** *Carryforwards to take in the future do not include eligible installments to be taken in future years. Carryforwards to take in the future should only be entered if in 2013 a portion of a current year's installment can not be utilized due to the 50% of tax limitation.*)

Expired Installments If an installment expires, enter the amount of expired credit in the applicable column. Generally, a credit for investing in business property expires if the property is disposed of, taken out of service, or moved out of North Carolina prior to the end of the four-year period in which the credit is claimed. (*For a detailed example on how to calculate the amount of expired installment, see the "Guidelines for Article 3J Tax Credits" available from the Department's website.*)

Pass-through Entities. S corporations claiming the credit against income tax complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 14 among the shareholders. Complete Parts 3 and 4 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. **Partnerships** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 14 among the partners. Complete Parts 3 and 4 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. **Trusts and estates** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 14 among the fiduciary and the beneficiaries. Complete Parts 3 and 4 by including only the amount allocated to the fiduciary.