



April 1, 2015

**NORTH CAROLINA’S REFERENCE TO THE INTERNAL REVENUE CODE UPDATED -
IMPACT ON 2014 NORTH CAROLINA CORPORATE AND INDIVIDUAL INCOME TAX
RETURNS**

Governor McCrory signed into law Session Law 2015-2 (Senate Bill 20) on March 31, 2015. The legislation updated North Carolina’s reference to the Internal Revenue Code to the Code as enacted as of January 1, 2015. As a result, North Carolina corporate and individual income tax law generally follows the Tax Increase Prevention Act of 2014 (“TIPA”), which extended several provisions in federal law that had sunset at the end of 2013. The law does not follow (decouples from) TIPA in six instances. The table below identifies those instances and describes each difference and which lines on the tax returns are impacted.

	<u>Federal Provision</u>	<u>State Provision</u>	<u>NC C Corporate Return</u>	<u>NC Individual Return</u>
1	Bonus depreciation is extended to property placed in service in 2014.	Addition required for 85% of bonus depreciation deducted on federal return.	Include addition on Form CD-405, Schedule H, Line 1.g.	Include addition on Form D-400 Schedule S, Part A, Line 3.
2	Code section 179 dollar and investment limitations are increased to \$500,000 and \$2,000,000, respectively, for 2014.	Dollar and investment limitations set at \$25,000 and \$200,000, respectively. Addition required for 85% of the difference between the deduction using federal limitations and the deduction using NC limitations.	Include addition on Form CD-405, Schedule H, Line 1.g.	Include addition on Form D-400 Schedule S, Part A, Line 3.
3	Mortgage insurance premiums are treated as qualified residence interest for 2014.	Mortgage insurance premiums are not treated as qualified residence interest.	Not applicable	Do not include mortgage insurance premiums in the amount of mortgage interest deducted on Form D-400 Schedule S, Part C, Line 13.
4	Cancellation of qualified principal residence debt is excluded from gross income.	Addition required for amount of cancellation of qualified principal residence debt excluded from gross income on the federal return.	Not applicable	Include addition on Form D-400 Schedule S, Part A, Line 3.

North Carolina Department of Revenue

	<u>Federal Provision</u>	<u>State Provision</u>	<u>NC C Corporate Return</u>	<u>NC Individual Return</u>
5	Qualified tuition and related expenses are deductible for 2014.	Addition required for qualified tuition and related expenses deducted on the federal return.	Not applicable	Include addition on Form D-400 Schedule S, Part A, Line 3.
6	Qualified charitable distributions from an IRA by a person who has attained age 70 ½ are excluded from gross income.	Addition required for qualified charitable distributions from an IRA by a person who has attained age 70 ½ that are excluded from gross income on the federal return. The distributions are allowable as a charitable contribution.	Not applicable	Include addition on Form D-400 Schedule S, Part A, Line 3. Deduct contribution on Form D-400 Schedule S, Part C, Line 18 if itemizing

Any person who has already filed a 2014 North Carolina income tax return and whose federal taxable income (C corporation) or federal adjusted gross income (individual) is impacted by the amendments to federal law included in TIPA or by the provisions of TIPA from which North Carolina has decoupled must file an amended North Carolina return. If the amended return reflects additional tax due, the taxpayer will avoid interest if the additional tax is paid by the original due date of the return (April 15 for calendar-year taxpayers). The taxpayer will also avoid a late-payment penalty if the additional tax reflected on the amended return is paid when the amended return is filed or April 15, whichever is later.

Computation of Corporate Income Tax

21. North Carolina Income Tax - Add Lines 19 and 20; multiply the sum by 5.8% (.058) ▶ 21. _____ .00

22. Annual Report Fee
 Include \$25.00 *ONLY* if filing report with the Department of Revenue. (Pay online. Go to www.sosnc.com for an electronic filing option.) ▶ 22. _____ .00

23. Add Lines 21 and 22 ▶ 23. _____ .00

24. Payments and Credits
 When filing an amended return, see instructions.

a. Application for Income Tax Extension (From Form CD-419, Line 10) ▶ 24a. _____ .00

b. Other Prepayments of Tax ▶ 24b. _____ .00

c. Partnership (If a partnership payment is claimed on Line 24c, a copy of the NC K-1 **MUST** be attached.) ▶ 24c. _____ .00

d. Nonresident Withholding (Include copy of 1099 or W-2) ▶ 24d. _____ .00

e. Tax Credits Attributable to Nonresidents Filing Composite (From Form CD-425, Part 4, Line 25) If a tax credit is claimed on Line 24e, Form CD-425 **MUST** be attached. ▶ 24e. _____ .00

25. Add Lines 24a through 24e ▶ 25. _____ .00

26. Income Tax Due - If Line 25 is less than Line 23, enter difference here and on Line 29 ▶ 26. \$ _____ .00

27. Income Tax Overpaid - If Line 25 is more than Line 23, enter difference here and on Line 29 ▶ 27. _____ .00

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Tax Due or Refund

28. Franchise Tax Due or Overpayment (From Schedule A, Line 8 or 9) ▶ 28. _____ .00

29. Income Tax Due or Overpayment (From Schedule B, Line 26 or 27) ▶ 29. _____ .00

30. Balance of Tax Due or Overpayment Add (or subtract) Lines 28 and 29 ▶ 30. _____ .00

31. a. Interest ▶ 31a. _____ .00

b. Penalties ▶ 31b. _____ .00

c. Add Lines 31a and 31b and enter the total on Line 31c ▶ 31c. _____ .00

32. Total Due - Add Lines 30 and 31c and enter result here, but not less than zero. If less than zero, enter amount on Line 33. Pay in U.S. Currency From a Domestic Bank ▶ 32. _____ .00

33. Amount to be Refunded ▶ 33. _____ .00

If amount on Line 28-30 is an overpayment fill in circle.
 Example:

Signature and Title of Officer: _____ Date: _____
 I certify that, to the best of my knowledge, this return is accurate and complete.

Corporate Telephone Number: _____
 (Important: Include Area Code)

Signature of Paid Preparer: _____
 I certify that, to the best of my knowledge, this return is accurate and complete.

Preparer's FEIN SSN PTIN: _____
 (Fill in applicable circle)

(C) Capital Stock, Surplus, and Undivided Profits

1. Total capital stock outstanding less cost of treasury stock	1. _____ .00
2. Paid-in or capital surplus	2. _____ .00
3. Retained earnings (earned surplus and undivided profits)	3. _____ .00
4. Other surplus	4. _____ .00
5. Deferred or unearned income	5. _____ .00
6. Allowance for bad debts	6. _____ .00
7. LIFO reserves	7. _____ .00
8. Other reserves that do not represent definite and accrued legal liabilities <i>(Attach schedule)</i>	8. _____ .00
9. Add Lines 1 through 8 and enter total	9. _____ .00
10. Affiliated indebtedness <i>(Attach schedule)</i> _____ _____ _____	10. _____ .00
11. Line 9 plus (or minus) Line 10	11. _____ .00
12. Apportionment factor <i>(From Schedule O, Part 1; Part 2 - Line 15; Part 3; or Part 4)</i>	12. _____ %
13. Capital Stock, Surplus, and Undivided Profits Multiply Line 11 by factor on Line 12 and enter result here and on Schedule A, Line 1. If amount on Line 13 is less than zero, enter zero on Schedule A, Line 1.	13. <input type="text" value=""/> .00

(D) Investment in N.C. Tangible Property

<i>Inventory valuation method:</i>	
1. Total value of inventories located in N.C. <input type="radio"/> FIFO <input type="radio"/> Lower of cost or market Other _____ <small><i>(LIFO valuation not permitted)</i></small>	1. _____ .00
2. Total value of furniture, fixtures, and machinery and equipment located in N.C.	2. _____ .00
3. Total value of land and buildings located in N.C.	3. _____ .00
4. Total value of leasehold improvements and other tangible property located in N.C.	4. _____ .00
5. Add Lines 1 through 4 and enter total	5. _____ .00
6. Accumulated depreciation, depletion, and amortization with respect to N.C. tangible property	6. _____ .00
7. Debts existing for the purchase or improvement of N.C. real estate	7. _____ .00
8. Investment in N.C. Tangible Property Line 5 minus Lines 6 and 7; enter amount here and on Schedule A, Line 2	8. <input type="text" value=""/> .00

(E) Appraised Value of N.C. Tangible Property

1. Total appraised value of all N.C. tangible property, including motor vehicles <small><i>(If tax year ends December 31, 2014 through September 30, 2015, enter the appraised county tax value of all real and tangible property located in N.C. as of January 1, 2014, including any motor vehicles assessed during the tax year. Otherwise, enter value as of January 1, 2015.)</i></small>	1. _____ .00
2. Appraised Value of N.C. Tangible Property Multiply Line 1 by 55%; enter here and on Schedule A, Line 3	2. <input type="text" value=""/> .00

(F) Other Information - All Taxpayers Must Complete this Schedule

1. State of incorporation _____ Date incorporated _____

2. Date Certificate of Authority was obtained from N.C. Secretary of State _____

3. Regular or principal trade or business in N.C. _____ Everywhere _____

4. Principal place from which business is directed or managed _____

5. What was the last year the IRS redetermined the corporation's federal taxable income? _____
Were the adjustments reported to N.C.? Yes No If so, when? _____

6. Is this corporation subject to franchise tax but not N.C. income tax because the corporation's income tax activities are protected under P.L. 86-272? Yes *(Attach detailed explanation)* No

Ⓒ Ordinary Income (Loss) from Trade or Business Activities

(Complete this schedule only if you do not attach a copy of your federal income tax return.)

1. a. Gross receipts or sales	_____	.00
b. Returns and allowances	_____	.00
c. Balance <i>(Line 1a minus Line 1b)</i>	_____	.00
2. Cost of goods sold <i>(Attach schedule)</i>	_____	.00
3. Gross profit <i>(Line 1c minus Line 2)</i>	_____	.00
4. Net gain (loss) <i>(Attach schedule)</i>	_____	.00
5. Other income (loss) <i>(Attach schedule)</i>	_____	.00
6. Total Income (Loss) Add Lines 3 through 5	_____	.00
7. Compensation of officers <i>(Attach schedule)</i>	_____	.00
8. Salaries and wages <i>(Less employment credits)</i>	_____	.00
9. Repairs and maintenance	_____	.00
10. Bad debts	_____	.00
11. Rents	_____	.00
12. Taxes and licenses	_____	.00
13. Interest	_____	.00
14. a. Depreciation _____	_____	
b. Depreciation included in cost of goods sold _____	_____	
c. Balance <i>(Line 14a minus 14b)</i>	_____	.00
15. Depletion	_____	.00
16. Advertising	_____	.00
17. Pension, profit-sharing, and similar plans	_____	.00
18. Employee benefit programs	_____	.00
19. Other deductions <i>(Attach schedule)</i>	_____	.00
20. Total Deductions Add the amounts shown in the far right column for Lines 7 through 19	_____	.00
21. Ordinary Business Income (Loss) Line 6 minus Line 20; enter amount here and on Schedule H, Line 1	<input type="text" value=""/>	.00

Ⓗ Computation of Income (Loss)

1. Ordinary business income (loss)	_____	.00
2. Net rental real estate income (loss)	_____	.00
3. Other net rental income (loss)	_____	.00
4. Interest income	_____	.00
5. Ordinary dividends	_____	.00
6. Royalties	_____	.00
7. Net short-term capital gain (loss)	_____	.00
8. Net long-term capital gain (loss)	_____	.00
9. Net section 1231 gain (loss)	_____	.00
10. Other income (loss) <i>(Attach schedule)</i>	_____	.00
11. Total Income (Loss) Add Lines 1 through 10 and enter amount here and on Schedule B, Line 10	<input type="text" value=""/>	.00

Ⓘ Adjustments to Income (Loss)

1. Additions to Federal Adjusted Gross Income (Loss): <i>(See Form D-400 Income Tax instructions before completing Line 1)</i>	_____	.00
2. Deductions from Federal Adjusted Gross Income (Loss): <i>(See Form D-400 Income Tax instructions before completing Line 2)</i>	_____	.00
3. Adjustments to Income (Loss) Line 1 minus Line 2; enter result here and on Schedule B, Line 11	<input type="text" value=""/>	.00

Ⓙ Explanation of Changes for Amended Return

Shareholders' Pro Rata Share Items

	Shareholder 1	Shareholder 2	Shareholder 3
1. Identifying Number	_____	_____	_____
2. Name	_____	_____	_____
3. Address	_____	_____	_____
4. Percentage of ownership	_____%	_____%	_____%
5. Share of income (loss) <i>(From Schedule H, Line 11)</i>	_____	_____	_____
6. Additions to income (loss) <i>(From Schedule I, Line 1)</i>	_____	_____	_____
7. Deductions from income (loss) <i>(From Schedule I, Line 2)</i>	_____	_____	_____
8. Income subject to N.C. tax Add (subtract) Lines 5, 6, and 7	_____	_____	_____
9. Share of tax credits <i>(See instructions)</i>	_____	_____	_____
10. Share of tax withheld from nonwage compensation	_____	_____	_____
11. Amount of Line 8 apportioned or allocated to N.C. (nonresidents only)	_____	_____	_____
12. Separately stated items of income (nonresidents only)	_____	_____	_____
13. Net tax paid for shareholder by corporation (nonresidents only)	_____	_____	_____
	Shareholder 4	Shareholder 5	Shareholders' Total
1. Identifying Number	_____	_____	_____
2. Name	_____	_____	_____
3. Address	_____	_____	_____
4. Percentage of ownership	_____%	_____%	_____%
5. Share of income (loss) <i>(From Schedule H, Line 11)</i>	_____	_____	_____
6. Additions to income (loss) <i>(From Schedule I, Line 2)</i>	_____	_____	_____
7. Deductions from income (loss) <i>(From Schedule I, Line 4)</i>	_____	_____	_____
8. Income subject to N.C. tax Add (subtract) Lines 5, 6, and 7	_____	_____	_____
9. Share of tax credits <i>(See instructions)</i>	_____	_____	_____
10. Share of tax withheld from nonwage compensation	_____	_____	_____
11. Amount of Line 8 apportioned or allocated to N.C. (nonresidents only)	_____	_____	_____
12. Separately stated items of income (nonresidents only)	_____	_____	_____
13. Net tax paid for shareholder by corporation (nonresidents only)	_____	_____	_____

Assets		Beginning of Tax Year		End of Tax Year	
Balance Sheet per Books	1. Cash				
	2. a. Trade notes and accounts receivable				
	b. Less allowance for bad debts	()		()	
	3. Inventories				
	4. a. U.S. government obligations				
	b. State and other obligations				
	5. Tax-exempt securities				
	6. Other current assets <i>(Attach schedule)</i>				
	7. Loans to shareholders				
	8. Mortgage and real estate loans				
	9. Other investments <i>(Attach schedule)</i>				
	10. a. Buildings and other depreciable assets				
	b. Less accumulated depreciation	()		()	
	11. a. Depletable assets				
	b. Less accumulated depletion	()		()	
12. Land <i>(net of any amortization)</i>					
13. a. Intangible assets <i>(amortizable only)</i>					
b. Less accumulated amortization	()		()		
14. Other assets <i>(Attach schedule)</i>					
15. Total Assets					
Liabilities and Shareholders' Equity					
16. Accounts payable					
17. Mortgages, notes, and bonds payable in less than 1 year					
18. Other current liabilities <i>(Attach schedule)</i>					
19. Loans from shareholders					
20. Mortgages, notes, and bonds payable in 1 year or more					
21. Other liabilities <i>(Attach schedule)</i>					
22. Capital stock					
23. Additional paid-in capital					
24. Retained earnings					
25. Adjustments to shareholders' equity <i>(Attach schedule)</i>					
26. Less cost of treasury stock		()		()	
27. Total Liabilities and Shareholders' Equity					
M-1 Federal Schedule	1. Net income (loss) per books			5. Income recorded on books this year not included on Federal Schedule K, Lines 1 through 10 <i>(itemize)</i> : Tax-exempt interest \$ _____	
	2. Income included on Federal Schedule K, Lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9 and 10 not recorded on books this year <i>(itemize)</i> : _____			6. Deductions included on Federal Schedule K, Lines 1 through 12, and 14i not charged against book income this year <i>(itemize)</i> : Depreciation \$ _____	
	3. Expenses recorded on books this year not included on Federal Schedule K, Lines 1 through 12, and 14i <i>(itemize)</i> : a. Depreciation \$ _____ b. Travel and entertainment \$ _____			7. Add Lines 5 and 6	
	4. Add Lines 1 through 3			8. Income (Loss) (Federal Schedule K, Line 18) Line 4 minus Line 7	
M-2 Analysis of N.C. AAA		N.C. Accumulated Adjustments	N.C. Other Adjustments	Undistributed income previously taxed	
	1. Balance at beginning of year				
	2. Ordinary income from Schedule G, Line 21				
	3. Other additions				
	4. Loss from Schedule G, Line 21	()			
	5. Other reductions	()	()		
	6. Combine Lines 1 through 5				
	7. Distributions other than dividend distributions				
8. Balance at end of tax year <i>(Line 6 minus Line 7)</i>					

Complete this schedule only if you apportion income to North Carolina and to other states **AND** you have income classified as nonapportionable income. See the instructions for an explanation of what is apportionable income and what is nonapportionable income.

Nonapportionable Income

(A) Nonapportionable Income	(B) Gross Amounts	(C) Related Expenses*	(D) Net Amounts (Column B minus Column C)	(E) Net Amounts Allocated Directly to N.C.

1. **Nonapportionable Income** (Enter the total of Column D here and on Schedule B, Line 13)

2. **Nonapportionable Income Allocated to N.C.** (Enter the total of Column E here and on Schedule B, Line 17)

Explanation of why income listed in chart is nonapportionable income rather than apportionable income:

(Attach additional sheets if necessary)

* For an acceptable means of computing related expenses, see 17 N.C.A.C. 5C .0304.

Computation of Apportionment Factor

Part 1. Domestic and Other Corporations Not Apportioning Franchise or Income Outside N.C.
 Enter 100% on Schedule B, Line 15 and Schedule C, Line 12

Part 2. Corporations Apportioning Franchise or Income to N.C. and to Other States
Note: Apportionment factors **must be calculated 4 places** to the right of the decimal. Example:

	1. Within North Carolina		2. Total Everywhere	
	(a) Beginning Period	(b) Ending Period	(a) Beginning Period	(b) Ending Period
1. Land				
2. Buildings				
3. Inventories				
4. Other property				
5. Total (Add Lines 1-4)				

6. Average value of property
 Add amounts on Line 5 for (a) and (b); divide by 2

7. Rented property (Multiply annual rents by 8)

8. **Property Factor** (Add Lines 6 and 7; divide Column 1 by Column 2 and enter factor)

9. Gross payroll

10. Compensation of general executive officers

11. **Payroll Factor** (Line 9 minus Line 10; divide Column 1 by Column 2 and enter factor)

12. **Sales Factor** (Attach schedule) Divide Column 1 by Column 2 and enter factor

13. **Sales Factor** (Enter the same factor as on Line 12)

14. **Total of Factors** (Add Lines 8, 11, 12, and 13)

15. **N.C. Apportionment Factor** (Divide Line 14 by the number of factors present; enter result here and on Schedule B, Line 15 and Schedule C, Line 12)

Part 3. Corporations Apportioning Franchise or Income to N.C. and to Other States Using Single Sales Factor
 Excluded corporations, qualified capital intensive corporations, and certain public utilities must apportion North Carolina franchise and corporate income tax using the sales factor alone. These corporations need not complete the property and payroll factor sections of this Schedule. Enter the sales factor from Line 12 here, on Schedule B, Line 15, and on Schedule C, Line 12. (See instructions and G.S.105-130.4 for more information.)

Part 4. Special Apportionment
 Special apportionment formulas apply to certain types of corporations such as telephone companies, motor carriers, and railroad companies. If you use a special apportionment formula, enter the computed apportionment factor here, on Schedule B, Line 15, and on Schedule C, Line 12. (See instructions and G.S.105-130.4 for more information.)