

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.

C Corporation Tax Return 2014

North Carolina Department of Revenue

Submit forms in the following order: CD-V, NC-478VJ, CD-479, NC-478, NC-478 series, CD-405, followed by CD-425

For calendar year 2014 or other tax year beginning (MM-DD) _____ - _____ - **14** and ending (MM-DD-YY) _____ - _____ - _____ DOR Use Only _____ / _____ / _____

Legal Name (First 35 Characters)(USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)

Address

City State Zip Code

Federal Employer ID Number

Secretary of State ID NAICS Code

Gross Receipts / Sales
_____.00
Total Assets per Balance Sheet
_____.00

Fill in all applicable circles:
 Initial Return Amended Return Captive REIT
 Final Return Tax Exempt-Nonprofit NC-478 is attached
 Short Year Return Non U.S./Foreign CD-479 is attached
 Combined Return Fed Sch M-3 is attached Has Escheatable Property

N.C. Education Endowment Fund: You may contribute to the N.C. Education Endowment Fund by making a contribution or designating some or all of your overpayment to the Fund. To make a contribution, enclose Form NC-EDU and your payment of \$_____. To designate your overpayment to the Fund, enter the amount of your designation on Page 2, Line 42. See instructions for information about the Fund.

Computation of Franchise Tax

1. **Capital Stock, Surplus, and Undivided Profits**
(From Schedule C, Line 13) Holding Company Exception (See instructions)

2. **Investment in N.C. Tangible Property**
(From Schedule D, Line 8)

3. **Appraised Value of N.C. Tangible Property**
(From Schedule E, Line 2)

4. **Taxable Amount**
Line 1, 2, or 3, whichever is greatest

5. **Total Franchise Tax Due**
Multiply Line 4 by .0015 (\$1.50 per \$1,000.00 - minimum \$35.00)

6. **Payment with Franchise Tax Extension** (From Form CD-419, Line 9)
When filing an amended return, see instructions.

7. **Tax Credits** (From Form CD-425, Part 2, Line 11)
If a tax credit is claimed on Line 7, Form CD-425 **MUST** be attached.

8. **Franchise Tax Due** - If the sum of Line 6 plus 7 is less than Line 5, enter difference here and on Page 2, Line 33

9. **Franchise Tax Overpaid** - If the sum of Line 6 plus 7 is more than Line 5, enter difference here and on Page 2, Line 33

Computation of Corporate Income Tax

10. **Federal Taxable Income Before NOL**
(From Schedule G, Line 30 or Federal Form 1120, Line 28 minus 29b) If amount on Line 10-12, Example: 14-16, or 18-20 is negative, fill in circle.

11. **Adjustments to Federal Taxable Income**
(From Schedule H, Line 5)

12. **Net Income Before Contributions**
Add (or subtract) Lines 10 and 11

13. **Contributions to Donees Outside N.C.**
(From Schedule I, Line 1c)

14. **N.C. Taxable Income**
Line 12 minus Line 13

15. **Nonapportionable Income**
(From Schedule N, Line 1)

16. **Apportionable Income**
Line 14 minus Line 15

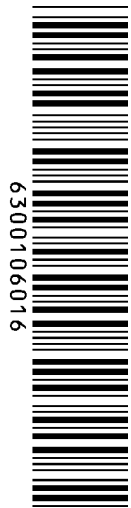
17. **Apportionment Factor** - Enter to four decimal places
(From Schedule O, Part 1; Part 2 - Line 15; Part 3; or Part 4)

18. **Income Apportioned to N.C.**
Multiply Line 16 by factor on Line 17


19. **Nonapportionable Income Allocated to N.C.**
(From Schedule N, Line 2)

20. **Income Subject to N.C. Tax**
Add Lines 18 and 19

21. **Percentage Depletion over Cost Depletion on N.C. Property**
(See Instructions)



(B) Computation of Corporate Income Tax

22. Net Economic Loss <i>(Attach schedule)</i>	If amount on Line 23 or 25 is negative fill in circle. Example: <input checked="" type="radio"/>	▶ 22.	_____ .00
23. Income Before Contributions to N.C. Donees Line 20 minus Lines 21 and 22		▶ 23. <input type="radio"/>	_____ .00
24. Contributions to N.C. Donees <i>(From Schedule I, Line 2e)</i>		▶ 24.	_____ .00
25. Net Taxable Income Line 23 minus Line 24		▶ 25. <input type="radio"/>	_____ .00
26. N.C. Net Income Tax Multiply Line 25 by 6.0%		▶ 26.	_____ .00
27. Annual Report Fee	 6300206016	▶ 27.	_____ .00
28. Add Lines 26 and 27		▶ 28.	_____ .00
29. Payments and Credits <i>When filing an amended return, see instructions.</i>		▶ 29a.	_____ .00
a. Application for Income Tax Extension <i>(From Form CD-419, Line 10)</i>		▶ 29b.	_____ .00
b. 2014 Estimated Tax		▶ 29c.	_____ .00
c. Partnership <i>(If a partnership payment is claimed on Line 29c, a copy of the NC K-1 MUST be attached.)</i>		▶ 29d.	_____ .00
d. Nonresident Withholding <i>(Include copy of 1099 or W-2)</i>		▶ 29e.	_____ .00
e. Tax Credits <i>(From Form CD-425, Part 4, Line 25)</i> <i>If a tax credit is claimed on Line 29e, Form CD-425 MUST be attached.</i>		▶ 30.	_____ .00
30. Add Lines 29a through 29e		▶ 31.	_____ .00
31. Income Tax Due - If Line 30 is less than Line 28, enter difference here and on Line 34, below		▶ 32.	_____ .00
32. Income Tax Overpaid - If Line 30 is more than Line 28, enter difference here and on Line 34, below	▶ 32.	_____ .00	

Tax Due or Refund

33. Franchise Tax Due or Overpayment <i>(From Schedule A, Line 8 or 9)</i>	If amount on Line 33-35 is an overpayment fill in circle. Example: <input checked="" type="radio"/>	▶ 33. <input type="radio"/>	_____ .00			
34. Income Tax Due or Overpayment <i>(From Schedule B, Line 31 or 32)</i>		▶ 34. <input type="radio"/>	_____ .00			
35. Balance of Tax Due or Overpayment Add (or subtract) Lines 33 and 34		▶ 35. <input type="radio"/>	_____ .00			
36. Underpayment of Estimated Income Tax <i>(Enter letter in exceptions box, if applicable. See instructions.)</i>	Exception to Underpayment of Estimated Tax ▶ _____	▶ 36.	_____ .00			
37. a. Interest	▶	_____ .00	▶	b. Penalties	▶	_____ .00
<i>(Add Lines 37a and 37b and enter the total on Line 37c)</i>						
37c.	▶	_____ .00	▶ 37c.	▶	_____ .00	
38. Total Due - Add Lines 35, 36, and 37c and enter result here, but not less than zero. If less than zero, enter amount on Line 39. <i>Pay online. Go to www.dorncc.com and click on E-Services.</i>	<i>Pay in U.S. Currency From a Domestic Bank</i>		▶ 38.	▶	_____ .00	
39. Overpayment	▶ 39.	_____ .00				
40. Amount of Line 39 applied to 2015 Estimated Income Tax	▶ 40.	_____ .00				
41. Amount of Line 39 contributed to N.C. Nongame and Endangered Wildlife Fund	▶ 41.	_____ .00				
42. Amount of Line 39 contributed to N.C. Education Endowment Fund	▶ 42.	_____ .00				
43. Amount to be Refunded Line 39 minus Lines 40, 41, and 42	▶ 43.	_____ .00				

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 (Attach schedule)	8. _____ .00
9. Add Lines 1 through 8 and enter total	9. _____ .00
10. Affiliated indebtedness (Attach schedule) _____	10. _____ .00
11. Line 9 plus (or minus) Line 10	11. _____ .00
12. Apportionment factor (From Schedule O, Part 1; Part 2 - Line 15; Part 3; or Part 4)	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

1. Total value of inventories located in N.C. <i>Inventory valuation method:</i> <input type="radio"/> FIFO <input type="radio"/> Lower of cost or market <input type="radio"/> Other _____ <small>(LIFO valuation not permitted)</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 <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>	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? _____

6. Were the adjustments reported to N.C.? Yes No If so, when? _____

7. Does this corporation finance or discount its receivables through a related or an affiliated company? Yes No

8. 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? (Attach detailed explanation) Yes No

9. Officers' names and addresses:

President _____ Secretary _____

Vice-President _____ Treasurer _____

Ⓒ Federal Taxable Income Before NOL Deduction

Complete this schedule 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 (Line 1a minus Line 1b)	_____	.00
2. Cost of goods sold (Attach schedule)	_____	.00
3. Gross Profit (Line 1c minus Line 2)	_____	.00
4. Dividends (Attach schedule)	_____	.00
5. a. Interest on obligations of the United States and its instrumentalities	_____	.00
b. Other interest	_____	.00
6. Gross rents	_____	.00
7. Gross royalties	_____	.00
8. Capital gain net income (Attach schedule)	_____	.00
9. Net gain (loss) (Attach schedule)	_____	.00
10. Other income (Attach schedule)	_____	.00
11. Total Income Add Lines 3 through 10	_____	.00
12. Compensation of officers (Attach schedule)	_____	.00
13. Salaries and wages (Less employment credits)	_____	.00
14. Repairs and maintenance	_____	.00
15. Bad debts	_____	.00
16. Rents	_____	.00
17. Taxes and licenses	_____	.00
18. Interest	_____	.00
19. Charitable contributions	_____	.00
20. a. Depreciation _____		
b. Depreciation included in cost of goods sold _____		
c. Balance (Line 20a minus Line 20b)	_____	.00
21. Depletion	_____	.00
22. Advertising	_____	.00
23. Pension, profit-sharing, and similar plans	_____	.00
24. Employee benefit programs	_____	.00
25. Domestic production activities deduction	_____	.00
26. Other deductions (Attach schedule)	_____	.00
27. Total Deductions Add Lines 12 through 26	_____	.00
28. Taxable Income per Federal Return Before NOL and Special Deductions Line 11 minus Line 27	_____	.00
29. Special Deductions (From Federal Form 1120, Line 29b)	_____	.00
30. Federal Taxable Income Before NOL Line 28 minus Line 29; enter amount here and on Schedule B, Line 10	_____	.00

Ⓓ Adjustments to Federal Taxable Income

1. Additions:		
a. Taxes based on net income	_____	.00
b. Dividends paid by captive REITs	_____	.00
c. Contributions	_____	.00
d. Royalties paid to related members (See instructions)	_____	.00
e. Expenses attributable to income not taxed (See instructions)	_____	.00
f. Domestic production activities deduction (From Schedule G, Line 25)	_____	.00
g. Other (Attach explanation or schedule)	_____	.00
2. Total Additions (Add Lines 1a-1g)	_____	.00
3. Deductions:		
a. U.S. obligation interest (net of expenses)	_____	.00
b. Other deductible dividends (See instructions)	_____	.00
c. Dividends received from captive REITs	_____	.00
d. Royalties received from related members (See instructions)	_____	.00
e. Interest on deposits with FHLB (net of expenses) S&L's only	_____	.00
f. Bonus depreciation (See instructions)	_____	.00
g. Section 179 expense deduction	_____	.00
h. Other (Attach explanation or schedule)	_____	.00
4. Total Deductions (Add Lines 3a-3h)	_____	.00
5. Adjustments to Federal Taxable Income Line 2 minus Line 4, enter amount here and on Schedule B, Line 11	_____	.00

Ⓔ Contributions

1. Contributions to Donees Outside N.C.		
a. Enter total contributions to donees outside N.C.	_____	.00
b. Multiply the amount shown on Schedule B, Line 12 by 5% if Line 12 is greater than zero. Otherwise, enter zero here.	_____	.00
c. Amount Deductible Enter the lesser of Line 1a or 1b here and on Schedule B, Line 13	_____	.00
2. Contributions to N.C. Donees		
a. Enter total contributions to N.C. donees other than those listed in Line 2d, below	_____	.00
b. Multiply the amount shown on Schedule B, Line 23 by 5% if Line 23 is greater than zero. Otherwise, enter zero here.	_____	.00
c. Enter the lesser of Line 2a or 2b	_____	.00
d. Enter total contributions to the State of N.C. and its political subdivisions	_____	.00
e. Amount Deductible Add Lines 2c and 2d; enter total here and on Schedule B, Line 24	_____	.00

Ⓕ Explanation of Changes for Amended Return

Attach additional sheets if necessary

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 15)

2. **Nonapportionable Income Allocated to N.C.** (Enter the total of Column E here and on Schedule B, Line 19)

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 17 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) **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, on Schedule B, Line 17, 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 17, 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 17, and on Schedule C, Line 12. (See instructions and G.S.105 -130.4 for more information.)

%