

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.

2014 Partnership Income Tax Return

North Carolina Department of Revenue

For calendar year **2014**, or fiscal year beginning (MM-DD) _____ - _____ - **1 4** and ending (MM-DD-YY) _____ - _____ - _____

Legal Name (USE CAPITAL LETTERS FOR NAME AND ADDRESS)

Legal Name Continued

Federal Employer ID Number

If LLC, Enter N.C. Secretary of State ID

Fill in all applicable circles:

- Initial Return
- Amended Return
- Final Return
- Entity is Partnership
- Entity is LLC
- Entity has Nonresident Owners
- NC-NPA Forms attached
- NC-478 is attached

Address

Apartment Number

City

State

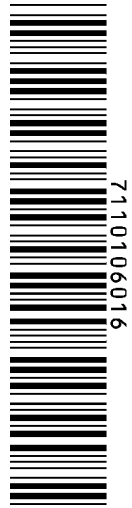
Zip Code

County (Enter first five letters)

Part 1. Computation of Income Tax Due or Refund (See Form D-403A, Instructions for Partnership Income Tax Return.)

<p>1. Enter the total income or loss (Add Lines 1 through 11 of Schedule K, Federal Form 1065)</p>	<p>▶ 1. <input type="radio"/> _____ .00</p>
<p>2. Guaranteed payments to partners (See instructions)</p>	<p>▶ 2. _____ .00</p>
<p>3. Line 1 minus Line 2</p>	<p>▶ 3. <input type="radio"/> _____ .00</p>
<p>4. Additions to income (From Part 4, Line 3)</p>	<p>▶ 4. _____ .00</p>
<p>5. Add Lines 3 and 4</p>	<p>▶ 5. <input type="radio"/> _____ .00</p>
<p>6. Deductions from income (From Part 4, Line 8). The total additions and deductions on Lines 4 and 6 should be allocated to the individual partners in Part 3, Section A of this form.</p>	<p>▶ 6. _____ .00</p>
<p>7. Net distributive partnership income (Line 5 minus Line 6)</p>	<p>▶ 7. <input type="radio"/> _____ .00</p>
<p>8. Nonapportionable net distributive partnership income (From Part 5, Line 1)</p>	<p>▶ 8. <input type="radio"/> _____ .00</p>
<p>9. Apportionable net distributive partnership income (Line 7 minus Line 8)</p>	<p>▶ 9. <input type="radio"/> _____ .00</p>
<p>10. Nonapportionable net distributive partnership income allocated to North Carolina (From Part 5, Line 2)</p>	<p>▶ 10. <input type="radio"/> _____ .00</p>
<p>11. Tax due for nonresident partners (Add the amounts on Part 3, Line 18 for each partner)</p>	<p>▶ 11. _____ .00</p>
<p>12. Tax credits allocated to nonresident partners (Add the amounts on Part 3, Line 19 for each partner)</p>	<p>▶ 12. _____ .00</p>
<p>13. Net tax due for nonresident partners (Add the amounts on Part 3, Line 20 for each partner)</p>	<p>▶ 13. _____ .00</p>
<p>14. Tax paid with extension</p>	<p>▶ 14. _____ .00</p>
<p>15. Other prepayments of tax (If filing an amended return, see instructions)</p>	<p>▶ 15. _____ .00</p>
<p>16. Tax paid by other partnerships or by S corporations and tax withheld from personal services income (See instructions)</p>	<p>▶ 16. _____ .00</p>
<p>17. Add Lines 14 through 16</p>	<p>▶ 17. _____ .00</p>
<p>18. Total tax due for nonresident partners (If Line 13 is more than Line 17, subtract and enter the result.)</p>	<p>▶ 18. _____ .00</p>
<p>19. 19a. Penalties 19b. Interest</p> <p>▶ _____ .00 ▶ _____ .00</p> <p style="text-align: right; font-size: small;">(Add Lines 19a and 19b and enter the total on Line 19c)</p>	<p>▶ 19c. _____ .00</p>
<p>20. Total Due for nonresident partners (Add Lines 18 and 19c and enter the result. The manager of the partnership must pay this amount with the return.)</p>	<p>▶ 20. \$ _____ .00</p>
<p>21. Amount to be Refunded (If net tax due on Line 13 is less than Line 17, subtract and enter the result.)</p>	<p>▶ 21. _____ .00</p>

If amount on Line 1, 3, 5, 7, 8, 9, or 10 is negative, fill in circle.
 Example:



Legal Name (First 10 Characters)

Federal Employer ID Number

Part 2. Apportionment Percentage for Partnerships That Have One or More Nonresident Partners and Operate in North Carolina and in One or More Other States

See Form D-403A, Instructions for Partnership Income Tax Return

	1. Within North Carolina		2. Total Everywhere		
	(a) Beginning Period	(b) Ending Period	(a) Beginning Period	(b) Ending Period	
1. Land	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
2. Buildings	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
3. Inventories	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
4. Other property	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
5. Total (Add Lines 1-4)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
6. Average value of property Add amounts on Line 5 for (a) and (b); divide by 2	<input type="text"/>		<input type="text"/>		
7. Rented property (Multiply annual rents by 8)	<input type="text"/>		<input type="text"/>		Factor
8. Property Factor Add Lines 6 and 7; divide Column 1 by Column 2 and enter factor	<input type="text"/>		<input type="text"/>	<input type="text"/>	%
9. Gross payroll	<input type="text"/>		<input type="text"/>	<input type="text"/>	
10. Compensation of general executive officers	<input type="text"/>		<input type="text"/>	<input type="text"/>	
11. Payroll Factor Line 9 minus Line 10; divide Column 1 by Column 2 and enter factor	<input type="text"/>		<input type="text"/>	<input type="text"/>	%
12. Sales Factor (Attach schedule) Divide Column 1 by Column 2 and enter factor	<input type="text"/>		<input type="text"/>	<input type="text"/>	%
13. Sales Factor Enter the same factor as on Line 12				<input type="text"/>	%
14. Total of Factors Add Lines 8, 11, 12, and 13				<input type="text"/>	%
15. N.C. Apportionment Percentage Divide Line 14 by the number of factors present; enter result here and on Part 3, Line 12 for each nonresident partner				<input type="text"/>	%

B Partnerships Apportioning Income to N.C. and to Other States Using Single Sales Factor

Partnerships that would meet the definition of "excluded corporation" or the definition of "capital intensive corporation" in G.S. 105-130.4 if they were corporations and certain public utilities treated as partnerships must apportion North Carolina income tax using the sales factor alone. These partnerships need not complete the property and payroll factor sections above. Enter the sales factor from Line 12 here and on Part 3, Line 12 for each nonresident partner.

%

C Special Apportionment

Special apportionment formulas apply to certain types of partnerships such as telephone companies, motor carriers, and railroad companies. If you use a special apportionment formula, enter the computed apportionment factor here and on Part 3, Line 12 for each nonresident partner.

%

Legal Name (First 10 Characters)

Important

If more than three partners, include separate schedule for additional partners.

Federal Employer ID Number

Part 3. A. Partners' Shares of Income, Adjustments, Tax Credits, and Other Items

Complete Lines 1 through 8 for all partners.

B. Computation of North Carolina Taxable Income for Nonresident Partners

Complete Lines 9 through 17 for all nonresident partners.

C. Computation of Tax Due for Nonresident Partners on Whose Behalf the Partnership Pays the Tax

Complete Lines 18 through 20.

A	Partner 1	Partner 2	Partner 3
<p>Attach other pages if needed.</p> <p>1. Identifying Number</p> <p>2. Name</p> <p>3. Address</p> <p>4. Partner's share percentage <input type="text"/> %</p> <p>5. Type of partner (Ex: Ind., Corp., Part.)</p> <p>6. Additions to income (loss) (To Form NC K-1, Line 2)</p> <p>7. Deductions from income (loss) (To Form NC K-1, Line 3)</p> <p>8. Share of Tax Credits (To Form NC K-1, Line 4)</p>			
<p>B</p> <p>9. Guaranteed payments to nonresident partners applicable to income on Part 1, Line 9</p> <p>10. Percentage from Line 4 times amount on Part 1, Line 9</p> <p>11. Add Lines 9 and 10</p> <p>12. Apportionment percentage from Part 2A, Line 15; Part 2B; or Part 2C <input type="text"/> %</p> <p>13. Multiply Line 11 by Line 12</p> <p>14. Guaranteed payments to nonresident partners applicable to income on Part 1, Line 10</p> <p>15. Percentage from Line 4 times amount on Part 1, Line 10</p> <p>16. Separately stated items of income attributable to nonresident partners</p> <p>17. North Carolina taxable income (Add Lines 13, 14, 15, and 16)</p>			
<p>C</p> <p>18. Tax Due (Multiply Line 17 by 5.8%)</p> <p>19. Tax credits allocated to nonresident partners from Line 8 above</p> <p>20. Net Tax Due (Line 18 minus Line 19)</p> <p style="text-align: center;">NC-NPA Form attached <input type="radio"/> Yes <input type="radio"/> No</p>			

Important: The Partnership must provide each Partner an NC K-1 for Form D-403 or other information necessary for the Partner to prepare the appropriate North Carolina Tax Return.

Legal Name (First 10 Characters)

Federal Employer ID Number

Part 4. North Carolina Adjustments to Income (See instructions)

Additions to Income

- 1. Interest income from obligations of states other than North Carolina 1. .00
- 2. Other additions to income (See Form D-401, Individual Income Tax Instructions, for other additions that may be applicable to partnerships) 2. .00
- 3. Total additions to income (Add Lines 1 and 2 and enter total here and on Part 1, Line 4) 3. .00

Deductions from Income

- 4. Interest income from obligations of the United States or United States' possessions 4. .00
- 5. State, local, or foreign income tax refunds reported as income on federal return 5. .00
- 6. Adjustment for bonus depreciation added back in 2009, 2010, 2011, 2012, and 2013 (Add Lines 6a, 6b, 6c, 6d, and 6e, and enter total on Line 6f)
 - 6a. 2009 .00
 - 6b. 2010 .00
 - 6c. 2011 .00
 - 6d. 2012 .00
 - 6e. 2013 .00
 - 6f. .00
- 7. Other deductions from income (See Form D-401, Individual Income Tax Instructions, for other deductions that may be applicable to partnerships) 7. .00
- 8. Total deductions from income (Add Lines 4, 5, 6f, and 7 and enter total here and on Part 1, Line 6) 8. .00

Part 5. Nonapportionable Net Distributive Partnership Income

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.

(A) Nonapportionable Net Distributive Partnership Income	(B) Net Income from Activity	(C) Net Income Allocated Directly to N.C.
1. Nonapportionable Income (Enter the total of Column B here and on Part 1, Line 8)	<input type="text"/> .00	
2. Nonapportionable Income Allocated to N.C. (Enter the total of Column C here and on Part 1, Line 10)		<input type="text"/> .00

Explanation of why income listed in chart is nonapportionable income rather than apportionable income: (Attach additional sheets if necessary)

I certify that, to the best of my knowledge, this return is accurate and complete.

If prepared by a person other than the managing partner, this certification is based on all information of which preparer has any knowledge.

Signature of Managing Partner _____ Date _____

Signature of Preparer Other Than Managing Partner _____ Date _____

Daytime Telephone Number (Include area code) _____

Address _____

If entity is an LLC and it converted to an LLC during the tax year, enter entity name prior to conversion: _____

Preparer's Daytime Telephone Number (Include area code) _____

FEIN SSN PTIN:

(Fill in applicable circle)

Preparer's FEIN, SSN, or PTIN _____