



June 3, 2016

## North Carolina’s Reference to the Internal Revenue Code Updated - Impact on 2015 North Carolina Corporate and Individual income Tax Returns

Governor McCrory signed into law Session Law 2016-6 (Senate Bill 726) on June 1, 2016. The legislation updated North Carolina’s reference to the Internal Revenue Code to the Code as enacted as of January 1, 2016. As a result, North Carolina corporate and individual income tax laws generally follow the Protecting Americans From Tax Hikes Act of 2015 (“PATH”), which extended, and in some cases made permanent, several provisions in federal law that had sunset at the end of 2014. The law decouples from (does not follow) PATH in six instances. The table below identifies those instances and describes each difference and which lines on the tax returns are impacted.

|   | <b><u>Federal Provision</u></b>  | <b><u>State Provision for 2015</u></b>   | <b><u>NC C Corporate Return</u></b>           | <b><u>NC Individual Return</u></b>                   |
|---|--|--|---|--|
| 1 | Bonus depreciation is extended to property placed in service in 2015, 2016 and 2017.   | Addition required for 85% of bonus depreciation deducted on federal return.  | Include on Form CD-405, Schedule H, Line 1.g. | Include on Form D-400 Schedule S, Part A, Line 3.    |
| 2 | Code section 179 dollar and investment limitations of \$500,000 and \$2,000,000, respectively, extended to 2015. These amounts will increase for inflation beginning with tax year 2016. | NC dollar and investment limitations of \$25,000 and \$200,000, respectively, extended to 2015 and made permanent. Addition required for 85% of the difference between the deduction using federal limitations and the deduction using NC limitations. | Include on Form CD-405, Schedule H, Line 1.g. | Include on Form D-400 Schedule S, Part A, Line 3.    |
| 3 | The treatment of mortgage insurance premiums as qualified residence interest is extended for 2015 and 2016.  | Mortgage insurance premiums are not treated as qualified residence interest.   | Not applicable                                | Exclude from Form D-400 Schedule S, Part C, Line 13. |

|   |   |  |                |  |
|---|---|--|----------------|--|
| 4 | The exclusion from gross income for cancellation of qualified principal residence debt is extended for 2015 and 2016.                                   | Cancellation of qualified principal residence debt is not excluded from gross income.  | Not applicable | Include on Form D-400 Schedule S, Part A, Line 3.  |
| 5 | The exclusion from gross income for qualified charitable distributions from an IRA by a person who has attained age 70 ½ is extended for 2015 and 2016. | Qualified charitable distributions from an IRA by a person who has attained age 70 ½ are not excluded from gross income. The distributions are allowable as a charitable contribution. | Not applicable | Include addition on Form D-400 Schedule S, Part A, Line 3.<br><br>Deduct contribution on Form D-400 Schedule S, Part C, Line 18 if itemizing |
| 6 | The deduction for qualified tuition and related expenses is extended for 2015 and 2016.   | Qualified tuition and related expenses are not deductible.   | Not applicable | Include addition on Form D-400 Schedule S, Part A, Line 3.   |

Any person who has already filed a 2015 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 PATH or by the provisions of PATH 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 a late-payment penalty if the additional tax reflected on the amended return is paid when the amended return is filed. If the amended return reflects additional tax due, interest is due on the additional tax from the date the tax was due (April 15, 2016 for calendar year taxpayers; the fifteenth day of the fourth month after the end of the tax year for fiscal year taxpayers) until the additional tax is paid. The interest rate is 5% per year through December 31, 2016. For the interest rate in effect after December 31, 2016, see [www.dorncc.com/taxes/rate.html](http://www.dorncc.com/taxes/rate.html) on or after December 1, 2016.

For calendar year 2015, or other tax year beginning (MM-DD) \_\_\_\_ - \_\_\_\_ - **15** and ending (MM-DD-YY) \_\_\_\_ - \_\_\_\_ - \_\_\_\_ DOR Use Only \_\_\_\_ / \_\_\_\_ / \_\_\_\_

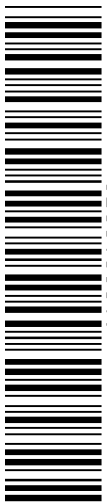
Legal Name (First 35 Characters) (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)  
\_\_\_\_\_  
Address  
\_\_\_\_\_  
City State Zip Code

Federal Employer ID Number  
\_\_\_\_\_  
Secretary of State ID NAICS Code  
\_\_\_\_\_

Fill in all applicable circles:  
 Initial Return     Amended Return     Fed Sch M-3 is attached  
 Final Return     NC-478 is attached     Has Nonresident Shareholders  
 Short Year Return     CD-479 is attached     Has Escheatable Property  
 Qualified Subchapter S Subsidiary     Yes     No (If yes, Enter Parent's Name and FEIN below)  
 Parent Name \_\_\_\_\_ FEIN \_\_\_\_\_

Gross Receipts / Sales  
\_\_\_\_\_.00  
Total Assets per Balance Sheet  
\_\_\_\_\_.00

|   |   |  |    |          |     |
|---|---|--|----|----------|-----|
| <b>(A) Computation of Franchise Tax</b> | <b>1. Capital Stock, Surplus, and Undivided Profits</b><br>(From Schedule C, Line 13)   | Holding Company Exception<br>(See instructions)<br><br><input type="radio"/> | 1. | _____    | .00 |
|   | <b>2. Investment in N.C. Tangible Property</b><br>(From Schedule D, Line 8)   |  | 2. | _____    | .00 |
|   | <b>3. Appraised Value of N.C. Tangible Property</b><br>(From Schedule E, Line 2)  |  | 3. | _____    | .00 |
|   | <b>4. Taxable Amount</b><br>Line 1, 2, or 3, whichever is greatest  |  | 4. | _____    | .00 |
|   | <b>5. Total Franchise Tax Due</b><br>Multiply Line 4 by .0015 (\$1.50 per \$1,000.00 - minimum \$35.00)                                 |  | 5. | _____    | .00 |
|   | <b>6. Payment with Franchise Tax Extension</b> (From Form CD-419, Line 9)<br>When filing an amended return see instructions.            |  | 6. | _____    | .00 |
|   | <b>7. Tax Credits</b> (From Form CD-425, Part 2, Line 11)<br>If a tax credit is claimed on Line 7, Form CD-425 <b>MUST</b> be attached. |  | 7. | _____    | .00 |
|   | <b>8. Franchise Tax Due</b> - If the sum of Line 6 plus 7 is less than Line 5, enter difference here and on Page 2, Line 28             |  | 8. | \$ _____ | .00 |
|   | <b>9. Franchise Tax Overpaid</b> - If the sum of Line 6 plus 7 is more than Line 5, enter difference here and on Page 2, Line 28        |  | 9. | _____    | .00 |

|  |  |   |   |     |                             |     |
|--|--|---|---|-----|-----------------------------|-----|
| <b>(B) Computation of Corporate Income Tax</b> | <b>10. Shareholders' Shares of Corporation Income (Loss)</b><br>(From Schedule H, Line 11 or Federal Schedule K, Lines 1-10)       | If amount on Line 10-14 or 16-19 is negative, fill in circle.<br><br>Example:<br><br><input checked="" type="radio"/> | <br>6200106017 | 10. | <input type="radio"/> _____ | .00 |
|  | <b>11. Adjustments to Corporation Income (Loss)</b><br>(From Schedule I, Line 3)   |   |   | 11. | <input type="radio"/> _____ | .00 |
|  | <b>12. N.C. Taxable Income</b><br>Add Lines 10 and 11  |   |   | 12. | <input type="radio"/> _____ | .00 |
|  | <b>13. Nonapportionable Income</b><br>(From Schedule N, Line 1)  |   |   | 13. | <input type="radio"/> _____ | .00 |
|  | <b>14. Apportionable Income</b><br>Line 12 minus Line 13   |   |   | 14. | <input type="radio"/> _____ | .00 |
|  | <b>15. Apportionment Factor</b> - Enter to four decimal places<br>(From Schedule O, Part 1; Part 2 - Line 15; Part 3; or Part 4)   |   |   | 15. | _____                       | %   |
|  | <b>16. Income Apportioned to N.C.</b><br>Multiply Line 14 by factor on Line 15   |   |   | 16. | <input type="radio"/> _____ | .00 |
|  | <b>17. Nonapportionable Income Allocated to N.C.</b><br>(From Schedule N, Line 2)  |   |   | 17. | <input type="radio"/> _____ | .00 |
|  | <b>18. Total Net Taxable Income</b> - Add Lines 16 and 17<br>(Composite filers complete Lines 19 - 23; all others skip to Line 24) |   |   | 18. | <input type="radio"/> _____ | .00 |
|  | <b>19. Amount of Line 18 Attributable to Nonresidents Filing Composite</b>   |   |   | 19. | <input type="radio"/> _____ | .00 |
|  | <b>20. Separately Stated Items of Income Attributable to Nonresidents Filing Composite</b> (See instructions)                      |   |   | 20. | <input type="radio"/> _____ | .00 |

Computation of Corporate Income Tax

21. North Carolina Income Tax - Add Lines 19 and 20; multiply the sum by 5.75% (.0575)

21. \_\_\_\_\_ .00

22. Annual Report Fee

Include \$25.00 ONLY if filing report with the Department of Revenue.

22. \_\_\_\_\_ .00

23. Add Lines 21 and 22

23. \_\_\_\_\_ .00

24. Payments and Credits

When filing an amended return, see instructions.

a. Income Tax Extension (From Form CD-419, Line 10)

24a. \_\_\_\_\_ .00

b. Other Prepayments of Tax

24b. \_\_\_\_\_ .00

On Lines 24c through 24e, enter only the amounts attributable to nonresidents filing composite.

c. Partnership (If a partnership payment is claimed on Line 24c, a copy of Form D-403 NC K-1 MUST be attached.)

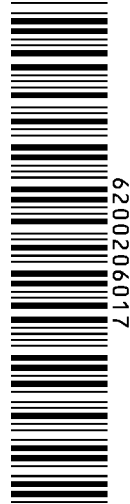
24c. \_\_\_\_\_ .00

d. Nonresident Withholding (Include copy of 1099 or W-2)

24d. \_\_\_\_\_ .00

e. Tax Credits (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

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 online. Go to www.dorn.com and click on eServices.

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 (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. _____ %                           |
| <b>13. Capital Stock, Surplus, and Undivided Profits</b><br>Multiply Line 11 by factor on Line 12 and enter result here and on Schedule A, Line 1.<br>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 _____<br><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                         |
| <b>8. Investment in N.C. Tangible Property</b><br>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<br><small>(If tax year ends December 31, 2015 through September 30, 2016, enter the appraised county tax value of all real and tangible property located in N.C. as of January 1, 2015, including any motor vehicles assessed during the tax year. Otherwise, enter value as of January 1, 2016.)</small> | 1. _____ .00                         |
| <b>2. Appraised Value of N.C. Tangible Property</b><br>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 |
| <b>6. Total Income (Loss)</b><br>Add Lines 3 through 5   | _____                         | .00 |
| 7. Compensation of officers <i>(Attach schedule)</i>   | _____                         | .00 |
| 8. Salaries and wages<br><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<br>in cost of goods sold _____  |                               |     |
| c. Balance <i>(Line 14a minus 14b)</i>   | _____                         | .00 |
| 15. Depletion  | _____                         | .00 |
| 16. Advertising  | _____                         | .00 |
| 17. Pension, profit-sharing,<br>and similar plans  | _____                         | .00 |
| 18. Employee benefit programs  | _____                         | .00 |
| 19. Other deductions <i>(Attach schedule)</i>  | _____                         | .00 |
| <b>20. Total Deductions</b><br>Add the amounts shown in the far<br>right column for Lines 7 through 19             | _____                         | .00 |
| <b>21. Ordinary Business Income (Loss)</b><br>Line 6 minus Line 20; enter amount<br>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 |
| <b>11. Total Income (Loss)</b><br>Add Lines 1 through 10 and enter amount<br>here and on Schedule B, Line 10 | <input type="text" value=""/> | .00 |

**Ⓔ Adjustments to Income (Loss)**

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

**Ⓙ Explanation of Changes for Amended Return**

|  |
|--|
| <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> |
|--|

**Shareholders' Pro Rata Share Items**

|   | <b>Shareholder 1</b>                               | <b>Shareholder 2</b>                               | <b>Shareholders' Total</b> |
|---|--|--|----------------------------|
| 1. Identifying Number   |  |  |                            |
| 2. Name   |  |  |                            |
| 3. a. Address   |  |  |                            |
| b. Is shareholder a nonresident?  | <input type="radio"/> Yes <input type="radio"/> No | <input type="radio"/> Yes <input type="radio"/> No |                            |
| 4. Percentage of ownership  | _____ %  | _____ %  | _____ %                    |
| 5. Share of income (loss)<br><i>(From Schedule H, Line 11)</i>  |  |  |                            |
| 6. Additions to income (loss)<br><i>(From Schedule I, Line 1)</i>   |  |  |                            |
| 7. Deductions from income (loss)<br><i>(From Schedule I, Line 2)</i>  |  |  |                            |
| 8. Income subject to N.C. tax<br>Add (subtract) Lines 5, 6, and 7   |  |  |                            |
| 9. Share of tax credits<br><i>(See instructions)</i>  |  |  |                            |
| 10. Share of tax withheld from<br>nonwage compensation  |  |  |                            |
| 11. Amount of Line 8 apportioned or<br>allocated to N.C. (nonresidents only)  |  |  |                            |
| 12. Separately stated items of<br>income (nonresidents only)  |  |  |                            |
| 13. Net tax paid for shareholder by<br>corporation (nonresidents only)  |  |  |                            |
| 14. Is the corporation filing a<br>Nonresident Shareholder<br>Agreement, Form NC-NA, for<br>this shareholder with this return?          | <input type="radio"/> Yes <input type="radio"/> No | <input type="radio"/> Yes <input type="radio"/> No |                            |
| 15. Has the corporation filed a<br>Nonresident Shareholder<br>Agreement, Form NC-NA, for<br>this shareholder in a previous<br>tax year? | <input type="radio"/> Yes <input type="radio"/> No | <input type="radio"/> Yes <input type="radio"/> No |                            |
| If yes, what tax year?<br><i>(Enter tax year end date)</i>  | ____-____-____<br><small>(MM-DD-YY)</small>        | ____-____-____<br><small>(MM-DD-YY)</small>        |                            |

| <b>Assets</b>  |  | <b>Beginning of Tax Year</b> |                        | <b>End of Tax Year</b>  |  |
|--|--|------------------------------|------------------------|---|--|
| <b>Balance Sheet per Books</b>                                   | 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. <b>Total Assets</b>  |  |                              |                        |   |  |
| <b>Liabilities and Shareholders' Equity</b>                      |  |                              |                        |   |  |
| 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. <b>Total Liabilities and Shareholders' Equity</b>            |  |                              |                        |   |  |
| <b>M-1 Federal Schedule</b>                                      | 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> :<br>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> :<br>_____  |                              |                        | 6. Deductions included on Federal Schedule K, Lines 1 through 12, and 14i not charged against book income this year <i>(itemize)</i> :<br>Depreciation \$ _____ |  |
|  | 3. Expenses recorded on books this year not included on Federal Schedule K, Lines 1 through 12, and 14i <i>(itemize)</i> :<br>a. Depreciation \$ _____<br>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  |  |
| <b>M-2 Analysis of N.C. AAA</b>                                  |  | 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 if 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<br>(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)  .00

2. **Nonapportionable Income Allocated to N.C.** (Enter the total of Column E here and on Schedule B, Line 17)  .00

**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.)  %