



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.

	<u>Federal Provision</u>	<u>State Provision for 2015</u>	<u>NC C Corporate Return</u>	<u>NC Individual Return</u>
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. 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 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** **NC-478 is attached** **Tax Exempt (IRC § 521)**
 Final Return **Short Year Return** **CD-479 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 18. See instructions for information about the Fund.

(A) Computation of Income Tax

<p>1. Federal Taxable Income Before NOL (From Schedule B, Line 27 or Federal Form 1120-C, Line 25a minus Lines 26a and 26b)</p>	▶ 1. <input type="radio"/>	_____ .00
<p>2. Adjustments to Federal Taxable Income (From Schedule C, Line 5)</p>	▶ 2. <input type="radio"/>	_____ .00
<p>3. Net Income Before Contributions Add Lines 1 and 2</p>	▶ 3. <input type="radio"/>	_____ .00
<p>4. Contributions (From Schedule E, Line 5)</p>	▶ 4. <input type="radio"/>	_____ .00
<p>5. Net Taxable Income Line 3 minus Line 4</p>	▶ 5. <input type="radio"/>	_____ .00
<p>6. N.C. Net Income Tax Multiply Line 5 by 5.0%</p>	▶ 6. <input type="radio"/>	_____ .00
<p>7. Annual Report Fee</p>	▶ 7. <input type="radio"/>	_____ .00
<p>8. Add Lines 6 and 7</p>	▶ 8. <input type="radio"/>	_____ .00
<p>9. Payments and Credits</p>		
<p>a. Income Tax Extension (From Form CD-419, Line 10) <i>When filing an amended return, enter the extension payment claimed on the original return on Line 9b.</i></p>	▶ 9a. <input type="radio"/>	_____ .00
<p>b. 2015 Estimated Tax (When filing an amended return, enter previous payments less refunds received, excluding interest.)</p>	▶ 9b. <input type="radio"/>	_____ .00
<p>c. Partnership (If a partnership payment is claimed on Line 9c, a copy of Form D-403 NC K-1 MUST be attached.)</p>	▶ 9c. <input type="radio"/>	_____ .00
<p>d. Nonresident Withholding (Include copy of 1099 or W-2)</p>	▶ 9d. <input type="radio"/>	_____ .00
<p>e. Tax Credits (Complete Form CD-425 and enter amount from Part 4, Line 25)</p>	▶ 9e. <input type="radio"/>	_____ .00
<p>10. Add Lines 9a through 9e</p>	▶ 10. <input type="radio"/>	_____ .00

If amount on Lines 1, 2, 3, or 5 is negative, fill in circle.
Example:

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

A Computation of Income Tax

11. Income Tax Due - Line 8 minus Line 10		11. \$	_____ .00
12. Underpayment of Estimated Income Tax	Exception to Underpayment of Estimated Tax <input type="checkbox"/>	12.	_____ .00
13. a. Interest	b. Penalties	(Add Lines 13a and 13b and enter the total on Line 13c)	
_____ .00	_____ .00	13c.	_____ .00
14. Total Due - If Line 10 is smaller than the total of Lines 8, 12, and 13c, enter total due here <i>Pay online. Go to www.dornrc.com and click on E-Services.</i>	Pay in U.S. Currency From a Domestic Bank	14.	_____ .00
15. Overpayment - If Line 10 is larger than the total of Line 8 and Line 12, enter overpayment here		15.	_____ .00
16. Amount of Line 15 applied to 2016 Estimated Income Tax		16.	_____ .00
17. Amount of Line 15 contributed to N.C. Nongame and Endangered Wildlife Fund		17.	_____ .00
18. Amount of Line 15 contributed to N.C. Education Endowment Fund		18.	_____ .00
19. Amount of Line 15 To Be Refunded - Line 15 minus Lines 16 through 18		19.	_____ .00

Explanation of Changes for Amended Return

(Attach additional sheets if necessary)

Sign Here:

Signature and Title of Officer: _____ Date: _____ Corporate Telephone Number: _____
I certify that, to the best of my knowledge, this return is accurate and complete. (Important: Include Area Code)

Signature of Paid Preparer: _____ Preparer's FEIN SSN PTIN: _____
I certify that, to the best of my knowledge, this return is accurate and complete. (Fill in applicable circle)

MAIL TO: N.C. Dept. of Revenue, P.O. Box 25000, Raleigh, N.C. 27640-0540. Returns are due by the 15th day of the 9th month after the end of the income year.

(B) Federal Taxable Income Before NOL Deduction	
<i>Complete this schedule if you do not attach a copy of your federal income tax return.</i>	
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 and royalties	.00
7. Capital gain net income (Attach schedule)	.00
8. Net gain (loss) (Attach schedule)	.00
9. Other income (Attach schedule)	.00
10. Total Income Add Lines 3 through 9	.00
11. Compensation of officers (Attach schedule)	.00
12. Salaries and wages (Less employment credits)	.00
13. Bad debts	.00
14. Rents	.00
15. Taxes and licenses	.00
16. Interest	.00
17. Charitable contributions	.00
18. a. Depreciation _____	
b. Depreciation included in cost of goods sold _____	
c. Balance (Line 18a minus Line 18b)	.00
19. Advertising	.00
20. Pension, profit-sharing, and similar plans	.00
21. Employee benefit programs	.00
22. Domestic production activities deduction	.00
23. Other deductions (Attach schedule)	.00
24. Total Deductions (Add Lines 11-23)	.00
25. Taxable Income before IRC § 1382, NOL, and Special Deductions Line 10 minus Line 24	.00
26. a. Deductions and adjustments under IRC § 1382 (From Schedule D, Line 5)	.00
b. Special Deductions (From Federal Form 1120-C, Line 26c)	.00
27. Federal Taxable Income Before NOL Line 25 minus Lines 26a and 26b; enter amount here and on Schedule A, Line 1	.00

(C) Adjustments to Federal Taxable Income	
1. Additions:	
a. Taxes based on net income	.00
b. Contributions	.00
c. Dividends paid on capital stock (From Schedule D, Line 1)	.00
d. Nonpatronage income allocated to patrons (From Schedule D, Line 2)	.00
e. Expenses attributable to income not taxed (See instructions for Form CD-405)	.00
f. Domestic production activities deduction (Schedule B, Line 22 minus Schedule D, Line 4)	.00
g. Other (Attach 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	.00
c. Net economic loss	.00
d. Bonus depreciation (See instructions)	.00
e. Section 179 expense deduction	.00
f. Other (Attach schedule)	.00
4. Total Deductions (Add Lines 3a-3f)	.00
5. Adjustments to Federal Taxable Income Line 2 minus Line 4, enter amount here and on Schedule A, Line 2	.00

(D) Deductions and Adjustments Under IRC § 1382	
1. Dividends paid on capital stock (Internal Revenue Code § 521 cooperatives only)	.00
2. Nonpatronage income allocated to patrons (Internal Revenue Code § 521 cooperatives only)	.00
3. Patronage dividends:	
a. Money	.00
b. Qualified written notices of allocation	.00
c. Other property (except nonqualified written notices of allocation)	.00
d. Money or other property (except written notices of allocation) in redemption of nonqualified written notices of allocation	.00
4. Domestic production activities deduction allocated to patrons	(.00)
5. Total - Add Lines 1 through 4; enter amount here and on Schedule B, Line 26a	.00

(E) Contributions	
1. Enter total contributions to donees other than those listed in Line 4, below	.00
2. Multiply the amount shown on Schedule A, Line 3 by 5% if Line 3 is greater than zero. Otherwise, enter zero here.	.00
3. Enter the lesser of Line 1 or Line 2	.00
4. Enter total contributions to the State of N.C. and its political subdivisions	.00
5. Amount Deductible Add Lines 3 and 4; enter total here and on Schedule A, Line 4	.00

Note: The letters F through K are not used to designate schedules.

Complete this schedule only if you do not attach a copy of your federal income tax return with all supporting schedules.

	Beginning of Tax Year		End of Tax Year	
	(a)	(b)	(c)	(d)
Assets				
1. Cash				
2. a. Trade notes and accounts receivable				
b. Less allowance for bad debts	()		()	
3. Inventories				
4. Other current assets <i>(Attach schedule)</i>				
5. Investments <i>(Attach schedule)</i>				
6. Loans to shareholders				
7. Mortgage and real estate loans				
8. a. Buildings and other depreciable assets				
b. Less accumulated depreciation	()		()	
9. a. Depletable assets				
b. Less accumulated depletion	()		()	
10. Land (net of any amortization)				
11. a. Intangible assets (amortizable only)				
b. Less accumulated amortization	()		()	
12. Other assets <i>(Attach schedule)</i>				
13. Total Assets				
Liabilities and Capital				
14. Accounts payable				
15. Mortgages, notes, and bonds payable in less than 1 year				
16. Other current liabilities <i>(Attach schedule)</i>				
17. Loans from shareholders				
18. Mortgages, notes, and bonds payable in 1 year or more				
19. Other liabilities <i>(Attach schedule)</i>				
20. Capital stock: a. Preferred Stock				
b. Common Stock				
21. Additional paid-in capital				
22. Patronage dividends allocated in noncash form				
23. Per unit retains allocated in noncash form				
24. Retained earnings - Appropriated <i>(Attach schedule)</i>				
25. Retained earnings - Unappropriated				
26. Adjustments to shareholders' equity <i>(Attach schedule)</i>				
27. Less cost of treasury stock		()		()
28. Total Liabilities and Capital				
M-1 Reconciliation of Income (Loss) per Books With Return				
1. Net income (loss) per books			7. Income recorded on books this year not included on this return <i>(itemize)</i> :	
2. Federal income tax per books			Tax-exempt interest \$	
3. Excess of capital losses over capital gains				
4. Income subject to tax not recorded on books this year <i>(itemize)</i> :			8. Deductions on this return not charged against book income this year <i>(itemize)</i> :	
5. Expenses recorded on books this year not deducted on this return <i>(itemize)</i> :			a. Depreciation \$	
a. Depreciation \$			b. Charitable contributions \$	
b. Charitable contributions \$				
c. Travel and entertainment \$			9. Add Lines 7 and 8	
6. Add Lines 1 through 5			10. Income (Line 6 minus Line 9)	
M-2 Retained Earnings Analysis				
1. Balance at beginning of year			5. Distributions: a. Cash	
2. Net income (loss) per books			b. Stock	
3. Other increases <i>(itemize)</i> :			c. Property	
			6. Other decreases <i>(itemize)</i> :	
			7. Add Lines 5 and 6	
4. Add Lines 1, 2, and 3			8. Balance at end of year <i>(Line 4 minus Line 7)</i>	