



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 fiscal year beginning (MM-DD-YY)	and ending (MM-DD-YY)	Fill in all applicable circles: <input type="radio"/> Initial Return <input type="radio"/> Amended Return <input type="radio"/> Final Return <input type="radio"/> Entity has Nonresident Beneficiaries <input type="radio"/> Qualified Funeral Trust If estate return, was final distribution of assets made during the tax year? <input type="radio"/> Yes <input type="radio"/> No
Name of Estate or Trust (Legal Name) (USE CAPITAL LETTERS FOR NAME AND ADDRESS)		
Name of Fiduciary (Circle one): <input type="radio"/> Administrator <input type="radio"/> Executor <input type="radio"/> Other	Federal Employer ID Number	
Address		Apartment Number
City	State	Zip Code
County (Enter first five letters)		

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 Line 19 below. See instructions for information about the Fund.

1. Federal taxable income (From Federal Form 1041)		▶		1.
2. Additions to income (From Schedule B, Fiduciary Column, Line 4)		▶		2.
3. Add Lines 1 and 2				3.
4. Deductions from income (From Schedule B, Fiduciary Column, Line 5)		▶		4.
5. Line 3 minus Line 4				5.
6. Did the entity receive for the benefit of a nonresident beneficiary intangible income from any source or business income from sources outside of North Carolina? If so, enter the portion of Line 5 attributable to this income; otherwise, enter zero.		▶		6.
7. North Carolina taxable income (Line 5 minus Line 6)				7.
8. Tax - To calculate the tax, multiply North Carolina taxable income on Line 7 by 5.75% (0.0575)		▶		8.
9. Tax credits (From Form D-407TC, Line 11)		▶		9.
10. Tax paid with extension		▶		10.
11. Other prepayments of tax		▶		11.
12. Tax paid by partnerships or S Corporations and North Carolina tax withheld reported on Form 1099R (See instructions)		▶		12.
13. Total tax credits and payments (Add Lines 9 through 12)				13.
14. Tax Due - If Line 8 is more than Line 13, subtract and enter the result		▶		14.
15. 15a. Penalties	15b. Interest			
▶	▶			15c.
(Add Lines 15a and 15b and enter the total on Line 15c)				
16. Add Lines 14 and 15c and enter the total - Pay this Amount				16. \$
17. If Line 8 is less than Line 13, subtract and enter the Overpayment				17.
18. Contribution to the N. C. Nongame and Endangered Wildlife Fund		▶		18.
19. Contribution of overpayment to the N. C. Education Endowment Fund		▶		19.
20. Add Lines 18 and 19				20.
21. Subtract Line 20 from Line 17 and enter the Amount to be Refunded		▶		21.

Legal Name (First 10 Characters)

Federal Employer ID Number

Estate Information:

Date of Decedent's Death

If no return filed last year,
reason why

Trust Information:

Date Trust Created
Name and Address
of Grantor

If no return filed last year,
reason why

Schedule A. North Carolina Fiduciary Adjustments (See instructions)

Additions to Income

- 1. Interest income from obligations of states other than North Carolina 1.
- 2. State, local, or foreign income taxes deducted on the federal return 2.
- 3. Other additions to income (See instructions) 3.
- 4. Total additions to income (Add lines 1, 2, and 3) 4.
Apportion the additions on Line 4 between the beneficiaries and the fiduciary on Schedule B, Line 4 below

Deductions from Income

- 5. Interest income from obligations of the United States or United States' possessions 5.
- 6. Taxable portion of Social Security and Railroad Retirement benefits 6.
- 7. Retirement benefits received from vested N. C. State government, N. C. local government,
or federal government retirees (Bailey Settlement – Important: See Instructions) 7.
- 8. State, local, or foreign income tax refunds reported as income on federal return 8.
- 9. Adjustment for bonus depreciation added back in 2010, 2011, 2012, 2013, and 2014

9a. 2010	9b. 2011	9c. 2012	9d. 2013	9e. 2014
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- (Add Lines 9a, 9b, 9c, 9d, and 9e, and enter total on Line 9f) 9f.
- 10. Other deductions from income (See instructions) 10.
- 11. Total deductions from income (Add Lines 5, 6, 7, 8, 9f, and 10) 11.
Apportion the deductions on Line 11 between the beneficiaries and the fiduciary on Schedule B, Line 5 below

Schedule B. Apportionment of Income and Adjustments (See instructions)

Important: If more than three beneficiaries, include separate schedule for additional beneficiaries.

Attach other pages if needed.

Fiduciary

Beneficiary 1

Beneficiary 2

Beneficiary 3

- 1. Identifying Number
- 2. Name
- 3. Net N.C. Source Income
- 4. Additions
- 5. Deductions

Important: The fiduciary must provide each beneficiary an NC K-1 for Form D-407 or other information necessary for the beneficiary to prepare the appropriate North Carolina Income Tax Return.

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

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

Signature of Fiduciary Representing Estate or Trust _____ Date _____

Signature of Preparer Other Than Fiduciary _____ Date _____

Address _____

Daytime Telephone Number (Include area code) _____

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