

# NCDOR

NORTH  
CAROLINA  
DEPARTMENT  
OF REVENUE

# 2016

North Carolina Individual Income Tax Instructions for  
**Forms D-400, D-400 Sch. S,  
D-400TC, and D-400 Sch. AM**

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Declaración Electrónica (EN ESPAÑOL)

## 2016 Tax Changes

See **WHAT'S NEW** in these instructions

## Future Developments

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| If You Want To   | Follow These Instructions   |
|--|---|
| <p><b>File and/or Pay State and/or Federal taxes</b></p> <p><i>pay by bank draft</i></p> | <p>From <a href="http://www.dornc.com">www.dornc.com</a>, access eFile for Free. To qualify, adjusted gross income (AGI) for married filing jointly can be up to \$95,000*.</p> <p style="text-align: center;">OR</p> <p>If you don't qualify to file for free, access competitively priced eFile provider options at <a href="http://www.dornc.com">www.dornc.com</a>. Prices start at \$9.95*.</p> <p style="text-align: center;">OR</p> <p>Choose a tax professional to eFile for you. The tax professional will explain any fees.</p> <p><i>*Sample eligibility requirement and product price, tax year 2015. Eligibility requirements and features vary.</i></p> |
| <p><b>Pay State taxes only</b></p> <p><i>pay by bank draft, Visa, or MasterCard</i></p>  | <p>From <a href="http://www.dornc.com">www.dornc.com</a>, search for online file and pay. To file your return electronically, use eFile (above).</p>  |



**Free Tax Preparation**

- For qualifying taxpayers, Volunteer Income Tax Assistance (VITA), and Tax Counseling for the Elderly (TCE) - [www.irs.gov](http://www.irs.gov) or 1-800-829-1040

**Free State Tax Estimator for Tax Year 2017**

- Income Tax Estimator - [www.dornc.com](http://www.dornc.com). Determine if you are having the correct amount of tax withheld or need to make estimated tax payments.

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- Current and prior year returns
- Peace of mind, knowing your forms and payments will be processed efficiently



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## What's New

For information about any additional changes to the 2016 tax law or any other developments affecting Forms D-400, D-400 Schedule S, D-400 TC, D-400 Schedule AM, or these instructions, go to [www.dornc.com](http://www.dornc.com).

### Changes to Form D-400

**New!** A new section, **Veteran Information**, has been added to Page 1 of Form D-400. You and your spouse, if filing a joint return, can voluntarily indicate whether you and your spouse are veterans or not by filling in the appropriate circle. If married filing separately, **do not** complete the information for your spouse. (See Page 6.)

**Increase!** N.C. standard deduction has increased for each filing status for tax years 2016 and 2017. (**See Page 7 for Exceptions.**) If you claim the N.C. standard deduction, please fill in the N.C. standard deduction circle on Line 11 and enter the amount shown below for your filing status.

#### N.C. Standard Deduction Amounts for Most Taxpayers:

| <u>Filing Status</u>                        | <u>2016<br/>Standard Deduction</u> | <u>2017<br/>Standard Deduction</u> |
|---|------------------------------------|------------------------------------|
| Single                                      | \$ 8,250                           | \$ 8,750                           |
| Married Filing Jointly/Qualifying Widow(er) | \$16,500                           | \$17,500                           |
| Married Filing Separately                   | \$ 8,250                           | \$ 8,750                           |
| Head of Household                           | \$13,200                           | \$14,000                           |

### Changes to Form D-400 Schedule S

**Reminder:** You must attach Form D-400 Schedule S (**Pages 1 and 2**) to Form D-400 if you complete Parts A, B, C, or D of Form D-400 Schedule S, otherwise, we will not be able to process your return.

#### Part A. Additions to Federal Adjusted Gross Income

- Line 3, Adjustment for bonus depreciation (See Page 11.)
- Line 4, Adjustment for section 179 expense depreciation (See Page 11.)
- Line 5 – Other additions to federal adjusted gross income (See Page 11.)
  - Qualified tuition and related expenses claimed under section 222 of the Code.
  - The exclusion from gross income for cancellation of qualified principal residence debt (See Page 11 for **Exception**.)
  - The exclusion from gross income for a qualified charitable distribution from an IRA by a person who has attained age 70 1/2.
  - The amount of net operating loss carried to the 2016 year that is not absorbed and will be carried forward to subsequent years.
  - An amount withdrawn from a NC 529 Plan that was deducted in a prior year and that was used for purposes other than qualified higher education expenses unless the withdrawal was due to the death or permanent disability of the designated beneficiary.

#### Part B. Deductions from Federal Adjusted Gross Income

- Line 13 – Other deductions from federal adjusted gross income (See Page 12.)
  - The amount by which the deduction for an ordinary and necessary business expense was required to be reduced or was not allowed under the Code because you claimed a federal tax credit in lieu of a deduction.
  - The amount of cancellation of indebtedness (COD) included in federal adjusted gross income that was previously deferred under section 108(i)(1) of the Internal Revenue Code in tax years 2009 or 2010.

#### Part C. N.C. Itemized Deductions

**New!** Line 22 – N.C. itemized deductions now includes a deduction for the repayment of claim of right income if you claimed this deduction as an itemized deduction on your federal return. (See Repayment of Claim of Right Worksheet on Page 13.)

**Note:** Line 15 - Mortgage insurance premiums are not treated as qualified home mortgage interest. North Carolina did not conform to the extension of the federal provision to allow mortgage insurance premiums as qualified residence interest. (See Page 12.)

### Form D-400TC

#### New! Article 3L – Historic Preservation Tax Credits Investment Program

This new Article was enacted to replace the tax credits generally available under Article 3D of Chapter 105 which expired for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after January 1, 2015. To claim the tax credit on Line 12 or 13 of Form D-400TC, you must complete Form NC-Rehab. Attach Form NC-Rehab to the front of Form D-400.

#### Part 2. Credits for Rehabilitating Historic Structures:

Line 12: An **income-producing** historic structure (**Article 3L**) (From Line 17 of Form NC-Rehab, Part 4.)

Line 13: A **nonincome-producing** historic structure (**Article 3L**) (From Line 20 of Form NC-Rehab, Part 4.)

## General Information

The information contained in this booklet is to be used as a guide in the preparation of the North Carolina individual income tax return and is not intended to cover all provisions of the law. For further information on North Carolina tax law, refer to administrative rules, bulletins, directives, and other publications issued by the Department of Revenue.

**The references to line numbers on federal income tax forms were correct at the time of printing. If they have changed and you are unable to determine the proper line to use, please contact the Department of Revenue.**

## Instructions for Filing Form D-400

### Filing Requirements

The minimum gross income filing requirements under North Carolina law are different from the filing requirements under the Internal Revenue Code because North Carolina has its own standard deduction and no longer allows a personal exemption allowance.

#### Who is required to file a North Carolina individual income tax return?

- Every resident of North Carolina whose income for the taxable year exceeds the amount for his filing status shown in the Filing

Requirements Chart.

- Every part-year resident who received income while a resident of North Carolina or who received income while a nonresident attributable to the ownership of any interest in real or tangible personal property in North Carolina or derived from a business, trade, profession or occupation carried on in North Carolina, or is derived from gambling activities in North Carolina and whose total income for the taxable year exceeds the amount for his filing status shown in the Filing Requirements Chart.
- Every nonresident who received income for the taxable year from North Carolina sources that was attributable to the ownership of any interest in real or tangible personal property in North Carolina or derived from a business, trade, profession, or occupation carried on in North Carolina, or is derived from gambling activities in North Carolina and whose total income from all sources both inside and outside of North Carolina equals or exceeds the amount for his filing status shown in the Filing Requirements Chart.
- If you had North Carolina income tax withheld during the year but your income is below the amount required for filing, as shown in the Filing Requirements Chart, you must still file a return to receive a refund.

If you were not required to file a federal income tax return but your gross income from all sources both inside and outside of North Carolina equals or exceeds the amount for your filing status shown in the Filing Requirements Chart, you must

complete a federal return and attach it to your North Carolina income tax return to show how your federal adjusted gross income, deductions, and exemptions were determined.

You and your spouse must file a joint North Carolina return if you file a joint federal income tax return, and both of you were residents of North Carolina or both of you had North Carolina taxable income.

If you file a joint federal return and your spouse is a nonresident of North Carolina and had no North Carolina taxable income, you may file a joint State return or a married filing separately State return. Once you file a joint return, you cannot choose to file separate returns for that year after the due date of the return. If you choose to file a separate North Carolina return, you must complete either a federal return as married filing separately reporting only your income and deductions or a schedule showing the computation of your separate income and deductions and attach it to your North Carolina return. You must also include a copy of your joint federal return unless your federal return reflects a North Carolina address.

When filing a joint return, include the name and social security number of each spouse on the return. Both spouses are jointly and severally liable for the tax due on a joint return. However, a spouse will be allowed relief from a joint State income tax liability attributable to a substantial understatement by the other spouse if the spouse qualifies for innocent spouse relief of liability for federal tax attributable to the same substantial understatement by the other spouse under Internal Revenue Code Section 6015.

### Filing Requirements Chart

#### Filing Status

#### A Return is Required if Federal Gross Income Exceeds

|  |           |
|--|-----------|
| (1) Single.....  | \$ 8,250  |
| (2) Married - Filing Joint Return .....                  | \$ 16,500 |
| (3) Married - Filing Separate Return                     |           |
| If spouse <u>does not claim</u> itemized deductions..... | \$ 8,250  |
| If spouse <u>claims</u> itemized deductions.....         | 0         |
| (4) Head of Household.....                               | \$ 13,200 |
| (5) Qualifying Widow(er) with dependent child.....       | \$ 16,500 |
| (6) Nonresident alien.....                               | \$ 0      |

### The Income Tax Return

All individuals (including part-year residents and nonresidents) must file their income tax return on Form D-400. If applicable, be sure to read the section entitled **Information for Part-Year Residents and Nonresidents**.

### When to File

If you file your return on a calendar year basis, it is due on or before April 15 of the following year. However, for tax year 2016, you have until **Tuesday, April 18, 2017**, to file your return because April 15 is on a Saturday and April 17 is the Emancipation Day holiday observed in the District of Columbia. A fiscal year return is due on the 15th day of the 4th month following the end of the taxable year. When the due date falls on a Saturday, Sunday, or holiday, the return is due on or before the next business day. A fiscal year return should be filed on a tax form for the year in which the fiscal year begins. For example, a 2016 tax form should be used for a fiscal year beginning in 2016.

**Nonresident Aliens:** Nonresident aliens are required to file returns at the same time they are required to file their federal returns.

**Extensions**

If you cannot file your return by the due date, you may apply for an automatic 6-month extension of time to file the return. **To receive the extension, you must file Form D-410, Application for Extension for Filing Individual Income Tax Return, by the original due date of the return.** You can file Form D-410 online. For details, visit [www.dornc.com](http://www.dornc.com) and search for online file and pay. You should apply for an extension even if you believe you will be due a refund but cannot file by the due date.

You are not required to send a payment of the tax you estimate as due to receive the extension; however, it will benefit you to pay as much as you can with the extension request. **An extension of time for filing the return does not extend the time for paying the tax.** If you do not pay the amount due by the original due date, you will owe a 10 percent late-payment penalty and interest. The late-payment penalty will not be due if you pay at least 90 percent of your tax liability through withholding, estimated tax payments, or with Form D-410 by the original due date.

A late-filing penalty may be assessed if your return is filed after the due date (including extensions). The penalty is 5 percent of the net tax due for each month, or part of a month, that your return is late (maximum 25 percent).

If you do not file the application for extension by the original due date of the return, you are subject to both the 5 percent per month late filing penalty and the 10 percent late payment penalty on the net tax due.

Net tax due is the amount of tax required to be shown on the return less any timely payments of the tax and allowable credits.

**Out of the Country:** If you were a U.S. citizen or resident and were out of the country on the regular due date of your return (April 15), you are granted an automatic 4-month extension for filing your North Carolina return if you fill in the "Out of the Country" circle on Page 1 of your return. "Out of the Country" means you live outside the United States and Puerto Rico and your main place of work is outside the United States and Puerto Rico, or you are in military service outside the United States and Puerto Rico. The time for payment of the tax is also extended; however, interest is due on any unpaid tax from the original due date of the return until the tax is paid. If you are unable to file the return within the automatic 4-month extension period, an additional 2-month extension may be obtained by following the provisions in the first paragraph of this section; however, Form D-410 must be filed by the automatic 4-month extended date of August 15.

**General Refund Information**

If you owe another State or local agency, the amount you owe may be deducted from your refund. If you have an outstanding federal income tax liability, the Internal Revenue Service may claim your North Carolina refund.

**Need to Call Us About Your Refund?**

You can check the status of your refund at [www.dornc.com](http://www.dornc.com). The automated refund inquiry line 1-877-252-4052 (toll-free) will also give you the status of your current refund. You can also obtain amended return refund information. Service is available 24 hours a day seven days a week. You will need the first social security number and the amount of refund shown on your return when you call.

**Tax Rate**

**For tax year 2016**, the tax rate is 5.75%. To calculate your tax, multiply your North Carolina Taxable Income, Line 14, by 5.75% (0.0575).

**How to Pay Your Tax**

If you owe additional tax, you can pay online by bank draft (free), or credit or debit card using Mastercard or Visa (\$2 convenience fee for every \$100 paid). This online service is accurate, secure, and convenient. For details, visit [www.dornc.com](http://www.dornc.com) and search for online file and pay.

You can also pay by check or money order. **Do not send cash.** The Department will not accept a check, money order, or cashier's check unless it is drawn on a U.S. (domestic) bank and the funds are payable in U.S. dollars. Make your check or money order payable to the N.C. Department of Revenue for the full amount due. Write "2016 D-400" and your name, address, and social security number on your payment. If you are filing a joint return, write both social security numbers on your payment in the order that they appear on the return. If you do not pay your tax online, you may go to our website and generate a personalized Form D-400V. Enclose the voucher with your return and payment, and mail to the address listed on Page 2 of Form D-400. If you use tax software to prepare your return, be sure to include Form D-400V and payment with your return generated by the software package. **If you owe additional tax on a 2016 amended return, see Page 18, Instructions for Filing 2016 Amended Returns.** Form D-400V Amended should be used when making a payment for a 2016 amended return.

**Estimated Income Tax**

You are required to pay estimated income tax if the tax shown due on your return, reduced by your North Carolina tax withheld and allowable tax credits, is \$1,000 or more regardless of the amount of income you have that is not subject to withholding. Each payment of estimated tax must be accompanied by **Form NC-40, North Carolina Individual Estimated Income Tax.** You can also pay your estimated tax online. For details, visit [www.dornc.com](http://www.dornc.com) and search for online file and pay.

You should prepare your estimated tax carefully, both to avoid having to pay a large amount of tax when you file your return, and

to avoid owing interest for underpayment of estimated income tax. Payment of estimated tax does not relieve you of your responsibility for filing a return if one is due. **Change in tax rate:** For tax year 2017, the tax rate has been reduced to 5.499% (0.05499).

**Statute of Limitations**

Generally, to receive a refund, your return must be filed within three years from the date the original return was due or within two years after the tax was paid, whichever date is later. However, special rules extending the time for filing refund claims beyond the normal three year statute of limitations apply to overpayments attributable to (1) federal determinations, (2) worthless debts or securities, (3) capital loss carrybacks, (4) net operating loss carrybacks, or (5) a contingent event. If a taxpayer files a timely return reflecting a federal determination the period of time for requesting a refund is one year after the return reflecting the federal determination is filed or three years after the original return was filed or due to be filed, whichever is later. For overpayments resulting from worthless debts or securities, the period of time for demanding an overpayment is seven years; for overpayments resulting from capital loss or net operating loss carrybacks, the period of time is three years from the due date of the return for the year in which the loss was incurred rather than three years from the due date of the return for the year to which the loss is carried back. If you are subject to a contingent event and file notice with the Secretary of Revenue, the period to request a refund of an overpayment is six months after the contingent event concludes. For additional information, visit [www.dornc.com](http://www.dornc.com) and search for contingent event.

**Amended Returns**

**For tax year 2016**, you must use Form D-400 to amend your original North Carolina individual income tax return. You must fill in the circle on Form D-400 indicating Amended Return, complete and attach Form D-400 Schedule AM, 2016 North Carolina Amended Schedule, to the front of Form D-400. If you filed Form D-400 Schedule S or Form D-400TC with your original return, then you **MUST** file these forms with your amended return, even if there are not changes to the form(s). For additional information, **See Page 18, Instructions for Filing 2016 Amended Returns.** Amended returns on which you owe additional tax are required to be filed and the tax paid within three years after the date on which the original return was filed or within three years from the date required by law for filing the return, whichever is later.

**Penalties and Interest**

**Failure to file penalty.** Returns filed after the due date are subject to a penalty of 5 percent of the net tax due for each month, or part of a month, the return is late (maximum 25 percent). If you file your return late, include this penalty on Line 26b of Form D-400.



## Instructions for Filing Form D-400 (cont'd)

**Failure to pay penalty.** Returns filed after April 15 without a valid extension are subject to a late-payment penalty of 10 percent of the unpaid tax. If you have an extension of time for filing your return, the 10 percent penalty will apply on the remaining balance due if the tax paid by the original due date of the return is less than 90 percent of the total amount of tax due. If the 90 percent rule is met, any remaining balance due, including interest, must be paid with the income tax return on or before the extended due date to avoid the late-payment penalty. If your payment is late, figure the amount of the penalty and include it on Line 26b of Form D-400. The late-payment penalty will not be assessed if the amount shown due on an amended return is paid with the return. Proposed assessments of additional tax due are subject to the 10 percent late-payment penalty if payment of the tax is not received within 45 days of the assessment.

**Other penalties.** There are other penalties for negligence, filing a frivolous return, and fraud. Criminal penalties also apply for fraud with intent to evade or defeat the tax and for willful failure to file a return, supply information, or pay the tax.

**Collection Assistance Fee.** Any tax, penalty, and interest not paid within 90 days after the debt becomes collectible is subject to a 20 percent collection assistance fee.

**Interest.** Interest is due on tax not paid by April 15, even though you may have an extension of time for filing your return. To obtain the current interest rate, visit [www.domc.com](http://www.domc.com) and search interest rate. If you pay your tax late, figure the amount of interest due and include it on Line 26c of Form D-400.

**Interest on the underpayment of estimated tax.** Compute interest on any underpayment of estimated income tax on **Form D-422, Underpayment of Estimated Tax by Individuals.** Interest is not due if each payment equals 25 percent of the lesser of 90 percent (66 2/3 percent for farmers and fishermen) of the tax due on your current year's return or 100 percent of the tax due on your previous year's return. If interest is applicable, include the interest on Line 26c and add it to the tax due. If a refund is due, subtract the amount of the interest from the refund.

### **N. C. Education Endowment Fund Contribution**

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 designate your overpayment, see Page 10, Line 31). To make a contribution, simply enclose Form NC-EDU and your payment. If you owe additional tax due on your return and would also like to make a contribution to the fund, you may write one check and enclose the check with both Form NC-EDU and Form D-400V (Form D-400V Amended if filing an amended return). Your election to contribute to the Fund cannot be changed after you file your return. Additional contributions to the Fund may be made by mailing your contribution directly to the North Carolina Department of Public Instruction, Cash



Collections, 6331 Mail Service Center, Raleigh, North Carolina 27699-6331. Checks should be made payable to "North Carolina Department of Public Instruction" with an indication either on the check or in an attached note that it is a contribution to the NC Education Endowment Fund.

### **United States Armed Forces Pay**

If you are serving in the United States Armed Forces and your legal residence is North Carolina, you are liable for North Carolina income tax and North Carolina income tax should be withheld from your pay regardless of where you may be stationed. If you are a legal resident of another state stationed in North Carolina on military orders, you are not liable for North Carolina income tax on your military pay, but income from other employment, a business, or tangible property in North Carolina is subject to North Carolina income tax.

### **Military Spouses**

The Military Spouses Residency Relief Act of 2009 prohibits North Carolina from taxing the income earned for services performed in North Carolina by a spouse of a servicemember stationed in North Carolina if (1) the servicemember is present in North Carolina solely in compliance with military orders; (2) the spouse is in North Carolina solely to be with the servicemember; and (3) the spouse is domiciled in the same state as the servicemember. If all three of the conditions are met, an employer is not required to withhold North Carolina tax from wages paid to the military spouse. A spouse who does not meet these requirements should see "Information for Part-Year Residents and Nonresidents." The Act does not apply to military spouses who are domiciled in North Carolina. Withholding from wages paid to military spouses domiciled in North Carolina is still required.

### **Veteran Information**

**New!** A new section, **Veteran Information**, has been added to Page 1 of Form D-400. You and your spouse, if filing a joint return, can voluntarily indicate whether you and your spouse are veterans or not by filling in the appropriate circle on Form D-400. If married filing separately, **do not** complete the information for your spouse. The information reported on your return will be used to compile a report about the number of veterans filing tax returns in North Carolina. No information regarding your tax liability will be shared. Information specific to individual employers or employees shall remain confidential in accordance with G.S. 105-259.

### **Death of the Taxpayer**

If you are the spouse or personal representative of an individual who died prior to filing a return, you may be required to file a return on the decedent's behalf. If so, enter the date of death in the applicable box on Page 1 of Form D-400 to indicate the return is being filed for a deceased individual.

An Income Tax Return for Estates and Trusts, Form D-407, must be filed for an estate for the period from the date of death to the end of the taxable year if the estate had taxable income from North Carolina sources or income which was for the benefit of a North Carolina resident, and the estate is required to file a federal return for estates and trusts.

If you are filing a return for an unmarried individual who died during the year, enter the date of death in the applicable box and enter the name of the deceased and the address of the executor, administrator, or court-appointed representative. The executor, administrator, or court-appointed representative should fill in the circle above the deceased taxpayer information on Page 1 and sign the return. When filing a separate return for a decedent who was married at the time of death, enter the date of death, the name of the deceased, and the address of the surviving spouse. The surviving spouse should sign the return. In either case, be sure to enter the date of death in the space provided.

If you are a court-appointed representative, attach to the return a copy of the certificate that shows your appointment. A refund due on a return filed for a deceased taxpayer by a person other than a surviving spouse, executor, administrator or a court-appointed representative will be mailed to the Clerk of Superior Court of the county in which the taxpayer resided.

## Information for Part-Year Residents and Nonresidents

If you move your legal residence into or out of North Carolina during the tax year, you are a resident of two different states during two different periods of the tax year.

You are a nonresident if you maintain your legal residence in another state or country even though you may temporarily reside in North Carolina. If you reside in North Carolina for more than 183 days of a tax year, you are presumed to be a resident for income tax purposes in the absence of factual proof of residence in another state. However, your absence from North Carolina for more than 183 days raises no presumption that you are not a resident.

If you file a joint federal return and your spouse is a nonresident of North Carolina and had no North Carolina taxable income, you may file a joint State return or a married filing separately State return. If you choose to file a separate North Carolina return, you must complete either a federal return as married filing separately reporting only your income and deductions or a schedule showing the computation of your separate income and deductions and attach it to your North Carolina return. You must also include a copy of your joint federal return unless your federal return reflects a North Carolina address. **Note:** Itemized nonbusiness deductions of a married couple may be claimed by a spouse only if that spouse was obligated to pay the items and actually paid the amount during the year. In the case of a joint obligation (such as

mortgage interest and real estate taxes), the deduction is allowable to the spouse who actually paid the item.

Part-year residents and nonresidents receiving income from North Carolina sources must determine the portion of their federal gross income, as adjusted, that is subject to North Carolina income tax by completing Lines 24 through 26 on **Form D-400 Schedule S, Part D**. See the instructions for Lines 24 and 25 on Page 13.

A part-year resident receiving partnership income from a partnership doing business in North Carolina and in one or more other states must prorate his share of the partnership's income attributable and not attributable to North Carolina between his periods of residence and nonresidence in accordance with the number of days in each period. Include on Line 24 of **Form D-400 Schedule S, Part D** your share of partnership income determined for the period of residence and your share of the partnership income attributable to North Carolina during the period of nonresidence.

If you have income from sources within another state or country while you are a resident of North Carolina and the other state or country taxes you on such income, you may be eligible to claim a tax credit on your North Carolina return. See "Credit for Tax Paid to Another State or Country" on Page 15 for additional information.

**Lines 1 through 5 - Filing Status**

Check the same filing status you checked on your federal return. **Important:** If either you or your spouse is a nonresident and had no North Carolina taxable income for the tax year, **see Page 4**.

**Line 6 - Federal Adjusted Gross Income**

Enter your federal adjusted gross income from your federal return. If federal adjusted gross income is a negative number, enter the negative amount and fill in the circle to indicate that the amount is negative. (**Note: If you are completing a web fill-in form on the Department's website, enter a minus sign to indicate a negative number.**)

**Line 7 - Additions to Federal Adjusted Gross Income**

See Page 11, *Instructions for Form D-400 Schedule S*, for information about additions to federal adjusted gross income.

**Line 9 - Deductions from Federal Adjusted Gross Income**

See Page 11, *Instructions for Form D-400 Schedule S*, for information about deductions from federal adjusted gross income.

**Line 11 - N.C. Standard Deduction or N.C. Itemized Deductions**

**IMPORTANT: Do not enter your federal standard deduction or federal itemized deductions on Line 11, Form D-400. The N.C. itemized deductions do not include all itemized deductions reported on your federal return.**

Fill in the circle to indicate if you are claiming the N.C. standard deduction or N.C. itemized deductions. **Note:** Fill in one circle only.

If you are entitled to and claim the standard deduction on your federal income tax return, you **MUST** claim the N.C. standard deduction on your State return. If you itemized your deductions on your federal return, you may claim either the N.C. itemized deductions **OR** the N.C. standard deduction on your State return unless you are not entitled to the N.C. standard deduction. The N.C. itemized deductions are not identical to federal itemized deductions and are subject to certain limitations.

**Exceptions: If you are (1) married filing a separate return for North Carolina income tax purposes and your spouse itemizes deductions, or (2) a nonresident alien, or (3) filing a short-year return because of a change in your accounting period, you are not entitled to the standard deduction. Note 1:** There is no additional N.C. standard deduction available for taxpayers age 65 or older or blind. **Note 2:** A nonresident alien who is a student or business apprentice and a resident of India is entitled to a standard deduction. **Note 3:** A short-year return does not relate to a taxpayer who files a return as a part-year resident.

**N.C. Standard Deduction**

**Important:** Do not complete Form D-400 Schedule S, Part C. N.C. Itemized Deductions, if you claim the N.C. standard deduction shown in the chart below.

Use the following chart to determine the amount of your N. C. standard deduction to enter on line 11.

| <b>N.C. Standard Deduction Chart</b>                |                                    |
|---|------------------------------------|
| <b>If your filing status is:</b>                    | <b>Your standard deduction is:</b> |
| Single  | \$ 8,250                           |
| Married filing jointly/Qualifying widow(er)         | \$ 16,500                          |
| Married filing separately                           |                                    |
| If spouse <u>does not claim</u> itemized deductions | \$ 8,250                           |
| If spouse <u>claims</u> itemized deductions         | 0                                  |
| Head of household                                   | \$ 13,200                          |

**N.C. Itemized Deductions**

**Important: You must attach Form D-400 Schedule S (Pages 1 and 2) to Form D-400 if you claim N.C. itemized deductions.** No itemized deductions included on federal Form 1040 (Schedule A) are allowed as N.C. itemized deductions except qualified home mortgage interest (excluding mortgage insurance premiums), real estate property taxes, charitable contributions, medical and dental expenses, and repayment of claim of right income. See Page 12.

**Line 13 - Part-Year Residents and Nonresidents**

Part-year residents and nonresidents, see Page 13, Instructions for Form D-400 Schedule S, and complete the **Part-Year Resident/Nonresident Worksheet** on Page 14. You must complete Form D-400 Schedule S, Part D Lines 24 through 26 and enter on Line 13 of Form D-400 the decimal amount from Line 26 of Form D-400 Schedule S. **You must attach Form D-400 Schedule S (Pages 1 and 2) to Form D-400 if you are a part-year resident or nonresident of North Carolina.**

**Line 14 - North Carolina Taxable Income**

- If you were a resident of North Carolina for the entire year, enter the amount from Line 12 on Line 14.
- If you were a part-year resident or nonresident, multiply the amount from Line 12 by the decimal amount on Line 13.

**Line 15 - North Carolina Income Tax**

To calculate your tax, multiply your North Carolina Taxable Income, Line 14, by 5.75% (0.0575).

## Instructions for Filing Form D-400 (cont'd)

### Line 16 - Tax Credits

See Page 15 for information about tax credits. Complete **Form D-400TC, Individual Income Tax Credits**, if you are entitled to one or more of the credits.

### Line 18 – Consumer Use Tax

*(If you certify that no Consumer Use Tax is due you must fill in circle on Line 18, Form D-400.)*

North Carolina use tax is due by individuals and businesses on tangible personal property and certain digital property purchased, leased or rented inside or outside this State for storage, use, or consumption in North Carolina pursuant to N.C. Gen. Stat. § 105-164.6. Use tax is also due on taxable services sourced to North Carolina. **Individuals and businesses must pay use tax to the Department when retailers or facilitators do not collect sales or use tax on taxable transactions.**

Retailers or facilitators that are not “engaged in business” in this State are not required to collect North Carolina sales and use tax. Some out-of-state retailers or facilitators voluntarily collect North Carolina use tax as a convenience to their customers. Retailers or facilitators that are not “engaged in business” may include mail-order companies, television shopping networks, and firms selling over the internet.

Common items on which sales and use tax may not have been collected and where use tax may be due by the purchaser include, but are not limited to:

- Tangible personal property including, but not limited to:
  - Computers and other electronic equipment;
  - Home furnishings;
  - Clothing;
  - Jewelry;
  - Sporting goods;
  - Audio compact discs (CDs), tapes, and records;
  - ATVs (All Terrain Vehicles).
- Digital property, which includes the following when delivered or accessed electronically:
  - An audio work. Examples include, but are not limited to, ringtones, digital music, readings of books or other written materials, speeches, and other sound recordings.
  - An audio visual work. Examples include, but are not limited to, movies, motion pictures, musical videos, news and entertainment programs, and live events.
  - A book, magazine, newspaper, newsletter, report, or another publication.
  - A photograph or a greeting card.
- Prewritten software including electronic downloads of software.
- Purchases of or recharges of prepaid telephone calling cards and phones.
- Certain service contracts.
- Admission tickets to an entertainment activity purchased outside the State where admission to the activity may be gained in the State.

The use tax is calculated and due at the same rate as the sales tax. For January 1, 2016 through September 30, 2016, the rate was 7.5% in Durham and Orange Counties, 7.25% in Mecklenburg County, 7% in Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties, and 6.75% in all other counties. For October 1, 2016 through December 31, 2016, the rate was 7.5% in Durham and Orange Counties, 7.25% in Mecklenburg County, 7% in Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cherokee, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Jackson, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties, and 6.75% in all other counties. If you paid another state’s sales or use tax that was legally due on out-of-state purchases, that amount may be credited against the North Carolina use tax due. Credit is allowed for another state’s sales tax legally and properly paid against the 4.75% general rate of North Carolina sales tax due. Separate credit is allowed for another state’s local tax legally and properly paid against the North Carolina local and transit sales and use tax due. You may not claim a credit for sales tax or value-added tax paid to another country. You should report use tax on purchases of food subject to the reduced rate of tax on Form E-554 and use tax on purchases of boats and aircraft on Form E-555. Businesses should report and remit sales and use tax on Form E-500.

| NC Taxable Income<br>(D-400, Line 14) |                      | Use Tax Table         |                 | NC Taxable Income<br>(D-400, Line 14) |  |
|---------------------------------------|----------------------|-----------------------|-----------------|---------------------------------------|--|
| <u>At Least</u>                       | <u>But Less Than</u> | <u>Use Tax Amount</u> | <u>At Least</u> | <u>But Less Than</u>                  | <u>Use Tax Amount</u>                                |
| \$ 0                                  | 2,200                | \$ 1                  | \$ 23,000       | 24,400                                | \$ 16  |
| 2,200                                 | 3,700                | 2                     | 24,400          | 25,900                                | 17   |
| 3,700                                 | 5,200                | 3                     | 25,900          | 27,400                                | 18   |
| 5,200                                 | 6,700                | 4                     | 27,400          | 28,900                                | 19   |
| 6,700                                 | 8,100                | 5                     | 28,900          | 30,400                                | 20   |
| 8,100                                 | 9,600                | 6                     | 30,400          | 31,900                                | 21   |
| 9,600                                 | 11,100               | 7                     | 31,900          | 33,300                                | 22   |
| 11,100                                | 12,600               | 8                     | 33,300          | 34,800                                | 23   |
| 12,600                                | 14,100               | 9                     | 34,800          | 36,300                                | 24   |
| 14,100                                | 15,600               | 10                    | 36,300          | 37,800                                | 25   |
| 15,600                                | 17,000               | 11                    | 37,800          | 39,300                                | 26   |
| 17,000                                | 18,500               | 12                    | 39,300          | 40,700                                | 27   |
| 18,500                                | 20,000               | 13                    | 40,700          | 42,200                                | 28   |
| 20,000                                | 21,500               | 14                    | 42,200          | 43,700                                | 29   |
| 21,500                                | 23,000               | 15                    | 43,700          | 45,200                                | 30   |
|                                       |                      |                       | 45,200 and over |                                       | Multiply NC<br>Taxable Income<br>by .0675% (.000675) |

The estimated amount is .0675% (.000675) of North Carolina taxable income. If you believe the estimate from the table is too high for your out-of-state purchases, you may estimate what you think you owe.



**Use Tax Worksheet - Taxpayers Who Have Records of All Out-of-State Purchases**

1. Enter the total amount of out-of-state purchases, including delivery charges, for 1/1/16 through 9/30/16..... 1. \_\_\_\_\_

2. Multiply Line 1 by 7.5% (.075) in Durham and Orange Counties; 7.25% (.0725) in Mecklenburg County; 7% (.07) in Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties; and 6.75% (.0675) in all other counties, and enter the amount..... 2. \_\_\_\_\_

3. Enter the total amount of out-of-state purchases, including delivery charges, for 10/1/16 through 12/31/16..... 3. \_\_\_\_\_

4. Multiply Line 3 by 7.5% (.075) in Durham and Orange Counties; 7.25% (.0725) in Mecklenburg County; 7% (.07) in Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cherokee, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Jackson, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties; and 6.75% (.0675) in all other counties, and enter the amount ..... 4. \_\_\_\_\_

5. Enter the amount of sales tax legally and properly paid to another state on the purchases. This amount may not exceed the total of Lines 2 and 4..... 5. \_\_\_\_\_

6. Add Lines 2 and 4, then subtract Line 5 and enter the result, rounded to the nearest whole dollar, here and on Form D-400, Line 18..... 6. \_\_\_\_\_

**Use Tax Worksheet 2 - Taxpayers Who Do Not Have Records of All Out-of-State Purchases**

1. For purchases of items that cost less than \$1,000, see the Use Tax Table on the previous page to estimate the use tax due based on your North Carolina taxable income shown on Form D-400, Line 14 and enter the amount ..... 1. \_\_\_\_\_

2. For purchases of items that cost \$1,000 or more:

2a - Enter the total amount of purchases, including delivery charges, of \$1,000 or more for 1/1/16 through 9/30/16.... 2a. \_\_\_\_\_

2b - Multiply Line 2a by 7.5% (.075) in Durham and Orange Counties; 7.25% (.0725) in Mecklenburg County; 7% (.07) in Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties; and 6.75% (.0675) in all other counties, and enter the amount .... 2b. \_\_\_\_\_

2c - Enter the total amount of purchases, including delivery charges, of \$1,000 or more for 10/1/16 through 12/31/16.... 2c. \_\_\_\_\_

2d - Multiply Line 2c by 7.5% (.075) in Durham and Orange Counties; 7.25% (.0725) in Mecklenburg County; 7% (.07) in Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cherokee, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Jackson, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties; and 6.75% (.0675) in all other counties, and enter the amount..... 2d. \_\_\_\_\_

3. Add Lines 1, 2b, and 2d and enter the total amount of use tax due ..... 3. \_\_\_\_\_

4. Enter the amount of sales tax legally and properly due and paid to another state on the purchases. This amount may not exceed the amount on Line 3 ..... 4. \_\_\_\_\_

5. Subtract Line 4 from Line 3 and enter the result, rounded to the nearest whole dollar, here and on Form D-400, Line 18 ..... 5. \_\_\_\_\_

**Lines 20a and 20b - N.C. Income Tax Withheld**

Enter your North Carolina tax withheld on Line 20a. If you are married and you file a joint return, enter your North Carolina withholding on Line 20a and your spouse's withholding on Line 20b. **Do not** include any income tax withheld for a state other than North Carolina or any other tax amounts that were withheld.

Be sure to attach to your return your original or a copy of the original State wage and tax statements (Form W-2), 1099 statements, or other statements verifying North Carolina tax withheld. It is not necessary to attach 1099 statements on which no North Carolina income tax withheld is reported unless you are claiming a **Bailey** retirement deduction (See Form D-400 Schedule S, Part B, Line 10). Wage and tax statements

or 1099 statements generated by tax software programs cannot be used to verify North Carolina tax withholding.

**Line 21 - Other Tax Payments**

- a - 2016 Estimated Tax** - Enter any estimated income tax payments for 2016 (including any portion of your 2015 refund that was applied to your 2016 estimated income tax). See Page 5 for additional information about estimated income tax.
- b - Paid with Extension** - If you filed an automatic extension of time, enter the amount of North Carolina income tax paid with the extension.
- c - Partnership** - If you are a nonresident partner, enter your share of the tax paid to North Carolina by the manager of the partnership on your distributive share of the partnership

income. Include with your return a copy of Form NC K-1 for Form D-403 provided by the partnership to verify the amount claimed.

**d - S Corporation** - If you are a nonresident shareholder of an S corporation, enter your share of the income tax paid to North Carolina by an S corporation on your distributive share of the S corporation income. Include with your return a copy of Form NC K-1 for Form CD-401S provided by the S corporation to verify the amount claimed.

**Line 22 - Amended Returns Only - Previous Payments**

Complete this line only if you are amending your 2016 return.  
Enter the amount of tax paid with the original

## Line Instructions for Filing Form D-400 (cont'd)

return (Form D-400, Line 27) plus any additional tax paid after the original return was filed. If you did not pay the entire balance due shown on your original return, enter the actual amount that was paid. **Do not include payments of interest or penalties. Please see Instructions for Filing 2016 Amended Return, Page 18.**

### Line 24 - Amended Returns Only - Previous Refunds

Complete this line only if you are amending your 2016 return.

Enter the amount of overpayment, if any, shown on the original return (Form D-400, Line 28). If the overpayment claimed on your original return was previously adjusted by the Department, enter the adjusted overpayment on this line. The amount includes any portion that was refunded or applied to any outstanding debt, to estimated tax, or contributed to the N.C. Nongame and Endangered Wildlife Fund or the N.C. Education Endowment Fund. Do not include interest you received on any refund. **Please see Instructions for Filing 2016 Amended Return, Page 18.**

### Lines 26a through 26e - Tax, Penalties, and Interest

- a - If Line 19 is more than Line 25, you owe additional tax. Subtract Line 25 from Line 19 and enter the result on Line 26a. If Line 25 is negative, treat Line 25 as a positive number, add Lines 19 and 25 and enter the additional tax on Line 26a.
- b - Penalties - See "Penalties and Interest" on Pages 5 and 6 to determine if any penalties apply to you.
- c - Interest - See "Penalties and Interest" on Page 6 to determine if you owe interest.
- d - Total of penalties and interest.
- e - Interest on the Underpayment of Estimated Income Tax and Exceptions- You may owe interest if you underpaid your estimated tax for any payment period. You will not owe interest if you had no tax liability in the prior year or if this year's tax liability, less any amount withheld and allowable tax credits, is less than \$1,000. Complete Form D-422 to see if you owe interest. Enter the interest on Line 26e. The interest will increase your tax liability or reduce your overpayment. You do not have to attach Form D-422 or Form D-422A to your return; however, maintain the form for your records.

#### Exception to Underpayment of Estimated Tax:

- Enter an "F" in the box if you are a farmer or fisherman. You will not owe interest if you are a farmer or fisherman and pay the tax due by March 1, 2017. You are a farmer or fisherman if you received at least two-thirds of your gross income for the year from farming or fishing.
- Enter an "A" in the box if you completed Form D-422A, Annualized Income Installment Worksheet, in determining the amount to enter on Line 26e.

### Line 27 - Pay This Amount

Add Lines 26a, 26d, and 26e and enter the total on Line 27. This is the total tax, penalties, and interest due. Mail your return and payment to the **North Carolina Department of Revenue, P. O. Box 25000, Raleigh, North Carolina 27640-0640**. Make your check or money order payable to the NC Department of Revenue. **Important:** The Department will not accept a check, money order, or cashier's check unless it is drawn on a U.S. (domestic) bank and the funds are payable in U.S. dollars.

You may also pay electronically or generate a personalized payment voucher Form D-400V or Form D-400V Amended (2016 Amended Return) by visiting [www.dornrc.com](http://www.dornrc.com). To pay online, search for online file and pay. If you are filing a 2016 amended return, please see **Instructions for Filing 2016 Amended Return, Page 18.**

### Line 28 - Overpayment

If Line 19 is less than Line 25, you have overpaid your tax. Subtract Line 19 (and any amount shown on Line 26e) from Line 25 and enter the amount of the overpayment on Line 28.

### Line 29 - Estimated Income Tax

If you have overpaid the tax, you may elect to have a portion of your refund applied to your estimated tax for the following year by entering the amount to be applied on Line 29. The election cannot be changed after you file your return. The last allowable date for making a 2017 estimated tax payment is January 15, 2018; therefore, to apply a portion of your refund to 2017 estimated tax, you must file your 2016 return by January 15, 2018. **Please see Instructions for Filing 2016 Amended Returns, Page 18.**

### Line 30 - N. C. Nongame and Endangered Wildlife Fund

Help keep North Carolina wild by contributing any portion of your refund to the N.C. Nongame and Endangered Wildlife Fund. Your tax deductible contributions are essential to monitoring and managing our wildlife populations, including turtles, flying squirrels, frogs, mussels, salamanders, and hundreds of bird species from terns and pelicans to woodpeckers and warblers. Conserving these species and their habitats is important to our state, our economy, and our quality of life. If wildlife conservation is important to you, please give what you can and help conserve North Carolina's wildlife for future generations to enjoy.



If you wish to contribute to the Fund, enter the amount of your contribution on Line 30. Your election to contribute to the Fund cannot be changed after you file your return. If you are not due a refund, you may still contribute to this Fund by donating online or mailing your donation

directly to the North Carolina Wildlife Resources Commission, 1702 Mail Service Center, Raleigh, North Carolina 27699-1700. Checks should be made payable to the Nongame & Endangered Wildlife Fund. For more information about the Fund or to donate online, check out [www.ncwildlife.org/Give-Donate](http://www.ncwildlife.org/Give-Donate). **Please see Instructions for Filing 2016 Amended Returns, Page 18.**

### Line 31 - Contribution of Overpayment to N.C. Education Endowment Fund



If you wish to contribute all or part of your refund to the N.C. Education Endowment Fund, enter the amount of your contribution on Line 31. Your election to contribute

to the Fund cannot be changed after you file your return. Additional contributions to the Fund may be made by mailing your contribution directly to the North Carolina Department of Public Instruction, Cash Collections, 6331 Mail Service Center, Raleigh, North Carolina 27699-6331. Checks should be made payable to "North Carolina Department of Public Instruction" with an indication either on the check or in an attached note that it is a contribution for the NC Education Endowment Fund. **Please see Instructions for Filing 2016 Amended Returns, Page 18.**

### Line 33 - Amount to be Refunded

If you are due a refund, mail your original return to the **North Carolina Department of Revenue, P.O. Box R, Raleigh, North Carolina 27634-0001**. If you are due a refund on your amended return, mail Form D-400 Schedule AM, the corrected return, all required schedules, and supporting forms to: **North Carolina Department of Revenue, P.O. Box 25000, Raleigh, NC 27640-0640**. Refunds of less than \$1.00 are made only upon written request.

### Sign Your Return

Your return is not considered a valid return unless you sign it. If you are filing a joint return, your spouse must also sign. Be sure to date your return and enter your home telephone number. **If you have someone prepare your return, you are still responsible for the correctness of the return.** In addition, your paid preparer should also sign, date, enter their FEIN, SSN, or PTIN, and telephone number.

# Line Instructions for Form D-400 Schedule S, North Carolina Supplemental Schedule

**Important:** You must attach Form D-400 Schedule S (Pages 1 and 2) to your Form D-400 if you complete Parts A, B, C, or D. Otherwise, we may not be able to process your return.

**Pages 1 and 2 of Form D-400 Schedule S are required if you complete Parts A, B, C, or D of Form D-400 Schedule S.**

- Part A. Additions to Federal Adjusted Gross Income
- Part B. Deductions from Federal Adjusted Gross Income
- Part C. N.C. Itemized Deductions
- Part D. Computation of North Carolina Income for Part-Year Residents and Nonresidents

**Note:** (1) Do not complete Part C of Form D-400 Schedule S if the N.C. standard deduction is claimed on Form D-400, Line 11. (2) If Form D-400 Schedule S is required, both Pages 1 and 2 must be submitted even if nothing is completed on Page 2.

## Part A - Additions to Federal Adjusted Gross Income

### Line 1 - Interest Income from Obligations of States Other than North Carolina

Enter the amount of interest received from notes, bonds, and other obligations of states and political subdivisions other than North Carolina if not included in federal adjusted gross income. This includes exempt interest dividends received from regulated investment companies (mutual funds) to the extent such dividends do not represent interest from obligations of North Carolina or its political subdivisions.

### Line 2 - Adjustment for Domestic Production Activities

North Carolina does not allow the domestic production activities deduction. Therefore, if you claimed the deduction on Line 35 of federal Form 1040, the amount claimed must be added to federal adjusted gross income.

### Line 3 - Adjustment for Bonus Depreciation

As in the past, North Carolina did not adopt the 50 percent bonus depreciation provisions in IRC sections 168(k) or 168(n) for property placed in service for tax year 2016. An addition is required for 85% of the amount of bonus depreciation deducted on the federal return.

**Note:** Any amount of the bonus depreciation added to federal adjusted gross income on your 2016 State return may be deducted in five equal installments over your first five taxable years beginning with the tax return for taxable year 2017.

### Line 4 - Adjustment for Section 179 Expense Deduction

As in the past, North Carolina did not conform to the increased federal expense deduction or increased investment limitations of \$500,000 and \$2,000,000, respectively, for tax year 2016. NC dollar and investment limitations are \$25,000 and \$200,000, respectively. An addition is required for 85% of the difference between the schedule 179 expense deduction using federal limitations and the deduction using NC limitations.

**Note:** Any amount of section 179 expense deduction added to federal adjusted gross income on your 2016 State return may be deducted in five equal installments over your first five taxable years beginning with the tax return for taxable year 2017.

### Line 5 - Other Additions to Federal Adjusted Gross Income

- The amount by which your basis of property under federal law exceeds your basis of property for State purposes must be added to your adjusted gross income in the year that you dispose of the property.

- An addition to federal adjusted gross income is required for the amount of the taxpayer's deduction for qualified tuition and related expenses under section 222 of the Code that was claimed on federal Form 1040, Line 34 or Form 1040A, Line 19.

- North Carolina did not conform to the extension of the federal provision that allowed an exclusion from gross income for the discharge of qualified principal residence indebtedness under section 108 of the Code. An addition to federal adjusted gross income is required for the amount excluded from federal gross income on your federal return. **Exception:** If a taxpayer is insolvent, as defined in section 108(d)(3) of the Code, then the addition to federal adjusted gross income is limited to the amount of discharge of qualified principal residence indebtedness excluded from income that exceeds the amount of discharge of indebtedness that would have been excluded because the taxpayer was insolvent.

- North Carolina did not conform to the extension of the federal provision which allowed an exclusion from gross income for a qualified charitable distribution from an individual retirement plan by a person who has attained age 70 1/2 under section 408(d)(8) of the Code. Therefore, an addition to federal adjusted gross income is required for the amount excluded from gross income on your federal return. **Note:** You may deduct the contribution amount added to federal adjusted gross income on Form D-400 Schedule S, Part C, Line 20 if itemizing.

- If you carry over a net operating loss from another year to the 2016 federal return, an

addition is required for the amount of net operating loss carried to the 2016 year that is not absorbed and will be carried forward to subsequent years.

*Example:* You incur a net operating loss of \$75,000 in 2015. You carry the net operating loss to the 2016 federal return and deduct the entire loss in arriving at federal adjusted gross income. Only \$50,000 of the loss is absorbed and \$25,000 is carried forward to subsequent years. To determine North Carolina taxable income, you must make an addition to federal adjusted gross income of \$25,000.

- You must add to federal adjusted gross income any amount that was contributed to North Carolina's National College Savings Program (NC 529 Plan) and deducted in a prior year that was later withdrawn and used for purposes other than qualified higher education expenses of the designated beneficiary unless the withdrawal was due to the death or permanent disability of the designated beneficiary.

- The amount by which a shareholder's share of S Corporation income is reduced under section 1366(f)(2) of the Code for the taxable year by the amount of built-in gains tax imposed on the S Corporation under section 1374 of the Code.

### Line 6 - Total Additions

Add Lines 1 through 5. Enter the total on Line 6 and on Form D-400, Line 7.

## Part B - Deductions from Federal Adjusted Gross Income

### Line 7 - State Income Tax Refund

Enter the amount of any state or local income tax refund included on Line 10 of your federal return, Form 1040.

### Line 8 - Interest From United States Obligations

Enter the amount of interest received from notes, bonds, and other obligations of the United States (such as U.S. savings bonds, treasury notes and bills, etc.) or United States possessions.

### Line 9 - Taxable Portion of Social Security and Railroad Retirement Benefits

Social security and railroad retirement benefits are not subject to State income tax. Enter any Title 2 social security benefits received under the Social Security Act and any Tier 1 or Tier 2 railroad retirement benefits received



## Line Instructions for Form D-400 Schedule S, North Carolina Supplemental Schedule (cont'd)

under the Railroad Retirement Act that were included in federal adjusted gross income. Railroad Retirement Act benefits include railroad unemployment insurance benefits and railroad sickness benefits.

### Line 10 - Retirement Benefits Received by Vested Government Retirees (Bailey Settlement)

As a result of the North Carolina Supreme Court's decision in *Bailey v. State of North Carolina*, North Carolina may not tax certain retirement benefits received by retirees (or by beneficiaries of retirees) of the State of North Carolina and its local governments or by United States government retirees (including military). **The exclusion applies to retirement benefits received from certain defined benefit plans**, such as the North Carolina Teachers' and State Employees' Retirement System, the North Carolina Local Governmental Employees' Retirement System, the North Carolina Consolidated Judicial Retirement System, the Federal Employees' Retirement System, or the United States Civil Service Retirement System, **if the retiree had five or more years of creditable service as of August 12, 1989**. The exclusion also applies to retirement benefits received from the State's §401(k) and §457 plans if the retiree had contributed or contracted to contribute to the plan prior to August 12, 1989. **The exclusion does not apply to local government §457 plans or to §403(b) annuity plans**. Benefits from other State, local, and federal retirement plans may or may not be excluded depending on rulings in the *Bailey* case. **The exclusion does not apply to retirement benefits paid to former teachers and state employees of other states and their political subdivisions**.

A retiree entitled to exclude retirement benefits from North Carolina income tax should claim a deduction on Line 10 for the amount of excludable retirement benefits included in federal adjusted gross income. Even if all your retirement is excludable under Bailey, you must still file a North Carolina return if you meet the minimum gross filing requirements on Page 4. A copy of Form 1099-R or W-2 received from the payer must be attached to the return to support the deduction.

### Line 11 - Adjustment for Bonus Depreciation Added Back in 2011, 2012, 2013, 2014, and 2015

For tax years 2011, 2012, 2013, 2014, and 2015 an addition was required for 85% of the amount of bonus depreciation deducted on the federal return. Any amount added to federal taxable income or federal adjusted gross income on the 2011, 2012, 2013, 2014, and 2015 State returns may be deducted in five equal installments beginning with the 2012, 2013, 2014, 2015, and 2016 State returns, respectively. Therefore, enter 20 percent of the bonus depreciation added

back on the 2011, 2012, 2013, 2014, and 2015 State returns.

### Line 12 - Adjustment for Section 179 Expense Added Back in 2011, 2012, 2013, 2014, and 2015

For tax years 2011, 2012, 2013, 2014, and 2015, North Carolina did not conform to the increased federal expense deduction or increased investment limitations. An addition was required for 85% of the difference between the schedule 179 expense deduction using federal limitations and the deduction using NC limitations. Any amount added to federal taxable income or federal adjusted gross income on the 2011, 2012, 2013, 2014, and 2015 State returns may be deducted in five equal installments beginning with the 2012, 2013, 2014, 2015, and 2016 State returns, respectively. Therefore, enter 20 percent of the section 179 expense deduction added back on the 2011, 2012, 2013, 2014, and 2015 State returns.

### Line 13 - Other Deductions From Federal Adjusted Gross Income

- The gain from the sale or disposition of North Carolina obligations issued before July 1, 1995, is deducted from adjusted gross income if the law under which the obligations were issued specifically exempts the gain.
- The amount by which your basis of property for State purposes exceeds your basis of property for federal purposes must be deducted from your adjusted gross income in the year that you dispose of the property.
- Income that meets both of the following requirements:
  - a. Is earned or received by an enrolled member of any federally recognized Indian tribe.
  - b. Is derived from activities on any federally recognized Indian reservation while the member resides on the reservation. Income from intangibles having a situs on the reservation and retirement income associated with activities on the reservation are considered income derived from activities on the reservation.

• The amount by which the deduction for an ordinary and necessary business expense was required to be reduced or was not allowed under the Code because you claimed a federal tax credit in lieu of a deduction.

• In the event of an actual or deemed transfer of an asset occurring on or after January 1, 2013, wherein the tax basis of the asset carries over from the transferor to the transferee for federal income tax purposes, the transferee must add any remaining bonus depreciation deductions allowed to the basis of the transferred asset and depreciate the adjusted basis over any remaining life of the asset. The transferor is not allowed

any future bonus depreciation deductions. (For more information, see G.S. 105-153.6(e) and (f), as well as the Department's website.)

- The amount of cancellation of indebtedness (COD) included in federal adjusted gross income that was previously deferred under section 108(i) (1) of the Internal Revenue Code in tax years 2009 or 2010. **Note:** North Carolina did not conform to the federal provision that allowed certain taxpayers to elect to defer the reporting of income from the cancellation of indebtedness (COD) in tax years 2009 or 2010 and instead report the income ratably over a five-year period beginning in 2014.

### Line 14 - Total Deductions

Add Lines 7 through 10 and Lines 11f, 12f, and 13. Enter the total on Line 14 and on Form D-400, Line 9.

## Part C - N.C. Itemized Deductions

**You must attach Form D-400 Schedule S (Pages 1 and 2) to Form D-400 if you claim N.C. itemized deductions.**

No itemized deductions included on federal Schedule A (Form 1040) are allowed as N.C. itemized deductions except **qualified home mortgage interest (excluding mortgage insurance premiums), real estate property taxes, charitable contributions, medical and dental expenses, and repayment of claim of right income**.

**Note:** The itemized deductions are not subject to the overall limitation on itemized deductions under section 68 of the Code.

### Line 15 - Qualifying Home Mortgage Interest

Enter the amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect to any qualified residence, **excluding mortgage insurance premiums**. **Note:** North Carolina did not conform to the extension of the federal provision to allow mortgage insurance premiums as qualified residence interest. If filing as married filing separately, see the note in Line 18.

### Line 16 - Real Estate Property Taxes

Enter the amount allowed as a deduction for property taxes paid or accrued on real estate under section 164 of the Code. If filing as married filing separately, see the note in Line 18.



# Line Instructions for Form D-400 Schedule S, North Carolina Supplemental Schedule (cont'd)

## Line 17 - Total Home Mortgage Interest and Real Estate Property Taxes

Add Lines 15 and 16 and enter the amount.

## Line 18 - Qualifying Home Mortgage Interest and Real Estate Property Taxes Limitation

Total home mortgage interest and real estate property taxes may not exceed \$20,000. For spouses filing as married filing separately or married filing jointly, the total home mortgage interest and real estate property taxes claimed by both spouses combined may not exceed twenty thousand dollars (\$20,000).

**Note:** For spouses filing as married filing separately with a joint obligation for home mortgage interest and real estate property taxes, the deduction for these items is allowable to the spouse who actually paid them. If the amount of home mortgage interest and real estate property taxes paid by both spouses exceeds twenty thousand dollars (\$20,000), the deductions must be prorated based on the percentage paid by each spouse. For joint obligations paid from joint accounts, the proration is based on the income reported by each spouse for tax year 2016.

## Line 19 - Allowable North Carolina Home Mortgage Interest and Real Estate Property Taxes

Compare Line 17 and Line 18. Enter whichever is less.

## Line 20 - Charitable Contributions

Enter the amount of charitable contributions allowed as a deduction under section 170 of the Code. Charitable contributions allowed as a deduction under section 170 of the Code are allowed without limitation.

**Note:** A person who has attained age 70 1/2 and made an addition to federal adjusted gross income on Form D-400 Schedule S, Part A, Line 5 for a qualified charitable distribution from an IRA, may deduct the charitable contribution if they itemized their deductions on their federal return.

## Line 21 - Medical and Dental Expenses

Enter the amount of medical and dental expenses allowed as a deduction under section 213 of the Code, from Line 4 of Schedule A, Federal Form 1040.

## Line 22 - Repayment of Claim of Right Income

**New for tax year 2016:** You may be entitled to a deduction for the repayment of claim of right income if you claimed this deduction as an itemized deduction on your federal return. Complete the worksheet below to determine if you are entitled to a deduction.

### Repayment of Claim of Right Worksheet

#### Repayment of amounts under a claim of right if \$3,000 or less:

1. Enter the repayment of claim of right income included in Line 23 of federal Schedule A ..... 1. \_\_\_\_\_
2. Enter amount from Line 26 of federal Schedule A (2% of federal AGI)..... 2. \_\_\_\_\_
3. Enter amount from Line 24 of federal Schedule A..... 3. \_\_\_\_\_
4. Subtract Line 1 from Line 3 ..... 4. \_\_\_\_\_
5. Subtract Line 4 from Line 2 (If negative, enter a zero) ..... 5. \_\_\_\_\_
6. Subtract Line 5 from Line 1 (If negative, enter a zero)  
Enter amount on Form D-400 Schedule S, Part C, Line 22. .... 6. \_\_\_\_\_

#### Repayment of amounts under a claim of right if over \$3,000:

Enter the repayment of claim of right income included on Line 28 of federal Schedule A  
Enter amount on Form D-400 Schedule S, Part C, Line 22 ..... \_\_\_\_\_

## Line 23 - N.C. Itemized Deductions

Add Lines 19, 20, 21, and 22. Enter the amount on Line 23 and Form D-400, Line 11.

## Part D - Computation of North Carolina Taxable Income for Part-Year Residents and Nonresidents

### Lines 24 and 25 - Part-Year Resident/Nonresident Worksheet

**Important: You must fill in applicable circles.**

- Fill in circle(s) if you or your spouse *moved into or out of North Carolina* during the year and enter the dates of residency in the boxes.
- Fill in circle(s) if you or your spouse were *nonresidents of North Carolina* for the entire year.

If you were a part-year resident of North Carolina during taxable year 2016 or if you were a nonresident and you received income from North Carolina sources, you must complete the worksheet on Page 14 to determine the portion of federal gross income, as adjusted, that is subject to North Carolina income tax. After you complete the worksheet, enter the amount from Column B, Line 30 on Form D-400 Schedule S, Line 24. Enter the amount from Column A, Line 30 on Form D-400 Schedule S, Line 25. In Column B, enter only the portion of the North Carolina additions and deductions shown in Column A that are applicable to North Carolina. For example, if you received interest income from United States obligations of \$1,200 evenly during the year and you became a North Carolina resident on July 1, you should enter \$1,200 on Line 23 of Column A and \$600 on Line 23 of Column B.

## Line 24

Enter the amount from **Column B, Line 30 of the Part-Year Resident/Nonresident Worksheet.**

## Line 25

Enter the amount from **Column A, Line 30 of the Part-Year Resident/Nonresident Worksheet.**

## Line 26

Divide Line 24 by Line 25. Enter the result as a decimal amount on Line 26 and on Form D-400, Line 13; round to four decimal places.

## Line Instructions for Form D-400 Schedule S, North Carolina Supplemental Schedule (cont'd)

### Part-Year Resident/Nonresident Worksheet

*Please retain this worksheet with your records.*

**Column A**  
Income as Shown on  
Federal Return

**Column B**  
Income Subject to  
North Carolina Tax

**Income**

|  |     |  |  |  |
|--|-----|--|--|--|
| 1. Wages .....   | 1.  |  |  |  |
| 2. Taxable interest .....  | 2.  |  |  |  |
| 3. Taxable dividends .....   | 3.  |  |  |  |
| 4. State and local income tax refunds .....  | 4.  |  |  |  |
| 5. Alimony received .....  | 5.  |  |  |  |
| 6. Schedule C or C-EZ business income or (loss) .....                              | 6.  |  |  |  |
| 7. Schedule D capital gain or (loss).....  | 7.  |  |  |  |
| 8. Other gains or (losses).....  | 8.  |  |  |  |
| 9. Taxable amount of IRA distributions .....                                       | 9.  |  |  |  |
| 10. Taxable amount of pensions and annuities .....                                 | 10. |  |  |  |
| 11. Schedule E - Rents, royalties, partnerships, S-Corps estates, trusts, etc..... | 11. |  |  |  |
| 12. Schedule F - Farm income or (loss).....  | 12. |  |  |  |
| 13. Unemployment compensation.....   | 13. |  |  |  |
| 14. Taxable amount of Social Security or Railroad Retirement benefits .....        | 14. |  |  |  |
| 15. Other income.....  | 15. |  |  |  |
| 16. <b>Add lines 1 through 15.</b> .....   | 16. |  |  |  |

**North Carolina Additions To Federal Adjusted Gross Income**

*(See Form D-400 Schedule S, Part A)*

|   |     |  |  |  |
|---|-----|--|--|--|
| 17. Interest income from obligations of states other than NC .....  | 17. |  |  |  |
| 18. Adjustment for bonus depreciation<br><i>(Enter in Col. A the amount from Line 3, Form D-400 Schedule S.)</i> .....            | 18. |  |  |  |
| 19. Adjustment for section 179 expense deduction<br><i>(Enter in Col. A the amount from Line 4, Form D-400 Schedule S.)</i> ..... | 19. |  |  |  |
| 20. Other additions to federal adjusted gross income that relate to gross income.....   | 20. |  |  |  |
| 21. Add Lines 16 through 20 .....   | 21. |  |  |  |

**North Carolina Deductions From Federal Adjusted Gross Income**

*(See Form D-400 Schedule S, Part B)*

|   |     |  |  |  |
|---|-----|--|--|--|
| 22. State and local income tax refund <i>(from Line 4 above)</i> .....  | 22. |  |  |  |
| 23. Interest from obligations of the United States or United States' possessions .....                                      | 23. |  |  |  |
| 24. Taxable portion of Social Security or Railroad Retirement benefits .....  | 24. |  |  |  |
| 25. Bailey retirement benefits<br><i>(Enter in Col. A the amount from Line 10, Form D-400 Schedule S.)</i> .....            | 25. |  |  |  |
| 26. Adjustment for bonus depreciation<br><i>(Enter in Col. A the amount from Line 11f, Form D-400 Schedule S.)</i> .....    | 26. |  |  |  |
| 27. Adjustment for 179 expense deduction<br><i>(Enter in Col. A the amount from Line 12f, Form D-400 Schedule S.)</i> ..... | 27. |  |  |  |
| 28. Other deductions from federal adjusted gross income that relate to gross income.....                                    | 28. |  |  |  |
| 29. <b>Add lines 22 through 28.</b> .....   | 29. |  |  |  |
| 30. <b>Line 21 minus line 29</b> .....  | 30. |  |  |  |

- Enter the amount from **Column B, Line 30** on Form D-400 Schedule S, Part D, Line 24.
- Enter the amount from **Column A, Line 30** on Form D-400 Schedule S, Part D, Line 25.

↑  
*(Enter this amount on Form D400  
Schedule S, Part D, Line 25)*

↑  
*(Enter this amount on Form D400  
Schedule S, Part D, Line 24)*

**► Credit for Tax Paid to Another State or Country - N.C. Residents Only**

When income is taxed by North Carolina for a period during which you were a legal resident of North Carolina and the same income is also taxed by another state or country because it was earned in or derived from sources within that state or country, a tax credit may be claimed, but not on the basis of a withholding statement alone. Attach a copy of the return filed with the other state or country and a copy of the check or receipt if a balance of tax was paid with the return.

Complete the North Carolina return and include all income both within and outside the State. Compute the tax as though no credit is to be claimed. Complete Part 1 of Form D-400TC to determine the allowable tax credit. **The amount entered on Line 1, Part 1 of Form D-400TC is total income from all sources received while a resident of North Carolina**, adjusted by the applicable additions and/or deductions to federal adjusted gross income that relate to gross income that you listed on Form D-400 Schedule S, Parts A and B. The amount of **net tax paid** on Line 6 is any prepayment of tax (tax withheld, estimated tax payments, amount paid with extension, etc.) plus any additional tax paid or **less any refunds** received or expected to be received. Attach a copy of the tax return filed with the other state and proof of the payment.

Include on Line 2, Part 1 of Form D-400TC your share of any S Corporation income that is attributable to and taxed by another state, whether or not the other state taxed the income at the individual or corporate level. Include on Line 6, Part 1, Form D-400TC the net tax you paid another state on your share of S Corporation income or your pro rata share of the net corporate tax paid by the S Corporation to another state that taxes the corporation rather than the shareholder. Attach a schedule to your return showing the total amount of tax paid to the other state by the S Corporation, and how your pro rata share of the tax was determined.

**If you claim credit for tax paid to more than one state or country**, use the worksheet below to determine the tax credit allowable for each state or country. Determine the total credits for all states by adding the amount on Line 7 of each worksheet and enter the total on Form D-400TC, Line 7a. Be sure to use separate worksheets to determine the separate credits for each state or country.

**Nonresidents are not entitled to this tax credit.**

**Out-of-State Tax Credit Worksheet**

1. **Total income from all sources (combined for joint filers) from Federal Form 1040, Line 22; 1040A, Line 15; or 1040EZ, Line 4, while a resident of North Carolina**, adjusted by the applicable additions shown on Line 1 and Lines 3 through 5 and deductions shown on Lines 7 through 13 of Form D-400 Schedule S, Parts A and B. Do not make any adjustment for any portion of Lines 5 or 13 of Form D-400 Schedule S, Parts A and B that does not relate to gross income. .... **1.** \_\_\_\_\_
2. The portion of Line 1 that was taxed by the other state or country..... **2.** \_\_\_\_\_
3. Divide Line 2 by Line 1 and enter the result as a decimal amount (Round to four decimal places) ..... **3.** \_\_\_\_\_
4. Enter total North Carolina income tax (From Form D-400, Line 15)..... **4.** \_\_\_\_\_
5. Multiply Line 3 by Line 4 ..... **5.** \_\_\_\_\_
6. Amount of net tax paid to the other state or country on the income shown on Line 2 (*See instructions above for definition of net tax paid.*) ..... **6.** \_\_\_\_\_
7. Enter the lesser of Line 5 or Line 6..... **7.** \_\_\_\_\_

**► Credits for Rehabilitating Historic Structures**

**Article 3D - Historic Rehabilitation Tax Credits**

Qualified rehabilitation expenditures and rehabilitation expenses must have been incurred before January 1, 2015. The credit for rehabilitating a historic structure must be claimed in five equal installments beginning with the taxable year in which the property was placed in service.

An **income-producing** historic structure (**Article 3D**) – Generally, a taxpayer who is allowed a federal income tax credit under section 47 of the Internal Revenue Code for making rehabilitation expenditures for a certified historic structure located in North Carolina is allowed a credit equal to 20% of the expenditures that qualify for the federal credit (40% of expenditures if the facility at one time served as a State training school for juvenile offenders). For additional information, see G.S. 105-129.35. Enter qualified rehabilitation expenditures in the first year the credit is taken on Line 8a and the installment amount of the credit on Line 8b of Form D-400TC.

A **nonincome-producing** historic structure (**Article 3D**) – Generally, a taxpayer who is not allowed a federal income tax credit under section 47 of the Internal Revenue Code and who makes rehabilitation expenses for a State-certified historic structure located in North Carolina is allowed a credit equal to 30% of the rehabilitation expenses (40% of expenditures if the facility at one time served as a State training school for juvenile offenders). To qualify for the credit, the rehabilitation expenses must exceed \$25,000 within a 24-month period. You must attach to the return a copy of the certification obtained from the State Historic Preservation Officer verifying that the historic structure has been rehabilitated in accordance with the Secretary of the Interior’s Standards for Rehabilitation. For additional information, see G.S. 105-129.36. Enter qualified rehabilitation expenses in the first year the credit is taken on Line 9a and the installment amount of the credit on Line 9b of Form D-400TC.

**Important:** Any unused portion of either credit may be carried forward for the succeeding five years. Complete Form D-400TC, Part 3, Line 15 to claim tax credits carried over from a previous tax year, if any.

**Article 3H - Mill Rehabilitation Tax Credit**

To claim a tax credit for rehabilitating a historic mill facility, an application for an eligibility certification must have been submitted before January 1, 2015. The taxpayer must provide a copy of the eligibility certification and the cost certification. The amount of credit depends on the location of the facility and whether it was renovated as income producing or nonincome producing property. The credit may be claimed in the year in which the eligible site is placed into service. When the eligible site is placed into service in two or more phases in different years, the amount of credit that may be claimed in a year is the

amount based on the qualified rehabilitation expenditures associated with the phase placed into service during that year.

An **income-producing** historic structure (**Article 3H**) – For additional information, see G.S. 105-129.71. Enter qualified rehabilitation expenditures in the year the credit is taken on Line 10a and the credit amount on Line 10b of Form D-400TC.

A **nonincome-producing** historic structure (**Article 3H**) – For additional information, see G.S. 105-129.72. Enter rehabilitation expenses in the first year the credit is taken on Line 11a and the installment amount of the credit on Line 11b of Form D-400TC. This credit is claimed in five equal installments beginning with the taxable year in which the property is placed in service.

**Important:** Any unused portion of either tax credit may be carried forward for the succeeding nine years. Complete Form D-400TC, Part 3, Line 15 to claim tax credits carried over from a previous tax year, if any.

**Article 3L - Historic Rehabilitation Tax Credits Investment Program**

**New! Form NC-Rehab**  
**To claim this new tax credit, you must complete Form NC-Rehab and attach Form NC-Rehab to the front of Form D-400.**

**New for tax year 2016:** The 2015 General Assembly enacted Article 3L to replace the historic rehabilitation tax credits generally available under Article 3D of Chapter 105 which expired for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after January 1, 2015. Article 3L credits are very similar to the former Article 3D tax credits; however, Article 3L credits are capped and have a lower credit percentage.

Article 3L tax credits became effective January 1, 2016, and apply to qualified rehabilitation expenditures and rehabilitation expenses incurred on or after that date. Article 3L is set to expire for expenses incurred on or after January 1, 2020.

An **income-producing** historic structure (**Article 3L**) – Generally, a taxpayer who is allowed a federal income tax credit under Section 47 of the Internal Revenue Code for making rehabilitation expenditures for a certified historic structure located in North Carolina is allowed a credit equal to the sum of the following:

- 15% of expenses from \$0 to \$10 million
- 10% of expenses from \$10 million to \$20 million

The statute provides for enhanced incentives for historic structures located in development tier one or tier two areas, and for historic structures located in a targeted investment site. For additional information, see G.S. 105-129.105. Enter the amount from Line 17 of Form NC-Rehab, Part 4 on Line 12 of Form D-400TC.

A **nonincome-producing** historic structure (**Article 3L**) – Generally, a taxpayer who is not allowed a federal income tax credit under Section 47 of the Internal Revenue Code and who has rehabilitation expenses of at least \$10,000 for a North Carolina certified historic structure located in North Carolina is allowed a credit equal to 15% of the rehabilitation expenses. For additional information, see G.S. 105-129.106. Enter the amount from Line 20 of Form NC-Rehab, Part 4 on Line 13 of Form D-400TC.

**► Credit for Children**

You may claim a child tax credit on your State return for each dependent child for whom a federal child tax credit was allowed under section 24 of the Code. The amount of credit allowed for the taxable year is equal to the amount listed in the table below based on your adjusted gross income, as calculated under the Code (Form D-400, Line 6).

**The credit for children can be claimed only for a child who was under 17 years of age on the last day of the year.** A part-year resident or nonresident may claim a prorated credit based on the percentage of income that is subject to North Carolina tax.

Please refer to the chart below and complete the **Credit for Children Worksheet** to determine the amount of allowable credit. You must enter the number of dependent children for whom you were allowed a federal tax credit on Form D-400TC, Line 14a, and the amount of the credit on Form D-400TC, Line 14b.

| <u>Filing Status</u>                               | <u>AGI</u>                        | <u>Credit Amount per Qualifying Child</u> |
|--|-----------------------------------|---|
| <u>Married Filing Jointly/Qualifying Widow(er)</u> | Up to \$40,000                    | \$125                                     |
|  | Over \$40,000 and up to \$100,000 | \$100                                     |
|  | Over \$100,000                    | \$0                                       |
| <u>Head of Household</u>                           | Up to \$32,000                    | \$125                                     |
|  | Over \$32,000 and up to \$80,000  | \$100                                     |
|  | Over \$80,000                     | \$0                                       |
| <u>Single or Married Filing Separately</u>         | Up to \$20,000                    | \$125                                     |
|  | Over \$20,000 and up to \$50,000  | \$100                                     |
|  | Over \$50,000                     | \$0                                       |

**Credit for Children Worksheet**

1. Multiply the number of children for whom you are entitled to claim the federal child tax credit by \$100 or \$125 and enter the result here. (**Full-year residents enter this amount here and on Line 3 below.**) ..... **1.** \_\_\_\_\_
2. **Part-year residents and nonresidents** multiply the amount on Line 1 by the decimal amount from Form D-400, Line 13 and enter the result here and on Line 3 below. If Line 13 of Form D-400 is more than 1.0000, enter the amount from Line 1 here and on Line 3 below. .... **2.** \_\_\_\_\_
3. Credit for children (**Enter this amount on Form D-400TC, Line 14b.**) ..... **3.** \_\_\_\_\_



**► Business Incentive and Energy Tax Credits (Limited to 50% of Tax Liability)**

The following tax credits are available as incentives to new and expanding businesses or for investing in renewable energy property or low-income housing. If you believe you are entitled to one or more of the tax credits, contact the Department for Form NC-478 series or you may download the forms from our website at [www.dornc.com](http://www.dornc.com). Form NC-478 series is used to calculate and report tax credits that are limited to 50% of your tax less the sum of all other tax credits that you claim. Complete the form and attach it to the front of your income tax return.

If you are entitled to one of the following tax credits, enter the amount of the credit on Form D-400TC, Line 19.

- Credit for investing in machinery and equipment \*
- Credit for creating jobs \*
- Credit for business property \*
- Credit for real property \*
- Credit for research and development \*
- Credit for interactive digital media \*
- Credit for investing in central office or aircraft facility property \*
- Credit for technology commercialization \*
- Credit for renewable fuel facility \*
- Credit for investing in low-income housing \*
- Credit for use of North Carolina ports \*
- Credit for investing in renewable energy property \*\*\*
- Credit for work opportunity \*
- Credit for constructing a railroad intermodal facility
- Credit for biodiesel producers \*
- Credit for donating funds to a nonprofit organization to enable the nonprofit to acquire renewable energy property. \*\*
- Credit for renewable energy property facility \*

\* These credits have expired and are only available for future installments and unused carryforwards.

\*\* These credits have expired and are only available for future installments and unused carryforwards unless the taxpayer is eligible for the delayed sunset. To be eligible for the delayed sunset, the taxpayer had to have (i) on or before January 1, 2016 incurred at least the minimum percentage of the cost of the project and completed at least the minimum percentage of the physical construction of the project as set forth in G.S. 105-129.16A(f) and (ii) on or before October 1, 2015 filed Form NC-478EX with the Department of Revenue and paid the application fee. For taxpayers eligible for the delayed sunset, the tax credit is repealed effective for renewable energy property placed in service on or after January 1, 2017.

\*\*\* For more information, see *Guidelines for Determining the Tax Credit for Investing in Renewable Energy Property*, at [www.dornc.com/taxes/corporate/renewable\\_energy\\_credits.pdf](http://www.dornc.com/taxes/corporate/renewable_energy_credits.pdf).

**► Sunset for Tax Credits - Effect on Future Installments and Carryforwards**

In the past few years, several tax credits have been repealed. Taxpayers that qualified for these tax credits may continue to take any remaining installments and carryforwards of the tax credits after the sunset or repeal date if the taxpayer continues to meet the statutory eligibility requirements for each particular tax credit.

For example, the Article 3J credit for creating jobs was repealed for business activities that occurred on or after January 1, 2014. In tax year 2013, a taxpayer, who met all eligibility requirements set out in N.C. Gen. Stat. § 105-129.83 and satisfied the threshold requirement for job creation, created jobs in this State. The taxpayer claimed the jobs credit by filing Form NC-478J (the applicable NC-478 series form) and by paying the fee of \$500.00 with the 2013 tax return on April 15, 2014. The taxpayer claimed the first installment of the 2013 jobs credit on its 2014 tax return and the second installment on its 2015 return. Any unused portion of the first or second installment if applicable may be carried forward for the succeeding five years. The taxpayer is allowed to continue to take remaining installments as long as the taxpayer continues to meet the requirements of N.C. Gen. Stat. § 105-129.83 and N.C. Gen. Stat. § 105-129.87. If the taxpayer fails to maintain eligibility requirements, remaining installments are forfeited and only the carryforward amount of a previously accrued installment may be taken, subject to the carryforward provisions of N.C. Gen. Stat. § 105-129.84.

**Important: Unless otherwise stated, the tax credits described in these instructions may not exceed the tax liability for the tax year, reduced by other tax credits.**

# Instructions for Filing 2016 Amended Returns

## Important Information

**You must use Form D-400 to amend your original North Carolina individual income tax return. You must fill in the circle on Form D-400 indicating Amended Return, attach Form D-400 Schedule AM, 2016 North Carolina Amended Schedule to the front of Form D-400, and attach all required schedules and supporting forms.**

**Reminder:** If you filed Form D-400 Schedule S (Pages 1 and 2) or Form D-400TC with your original return, then you must file these forms with your amended return, even if there are no changes to the form(s).

## General Instructions

Amended returns on which you owe additional tax are required to be filed and the tax paid within three years after the date on which the original return was filed or within three years from the date required by law for filing the return, whichever is later. Generally, to receive a refund, the amended return must be filed within three years of the date the original return was due or within two years after the date the tax was paid, whichever is later. If a valid extension was filed, a refund claimed on an amended return may be filed within three years from the extended due date.

You must file an amended 2016 North Carolina return if:

- You made an error or received additional information after you filed your original 2016 North Carolina State income tax return.
- The Internal Revenue Service (IRS) made changes to your 2016 federal return. You must report the changes to the State by filing an amended return within six months from the date you receive the report from the Internal Revenue Service. If you do not amend your State return to reflect the federal changes and the Department of Revenue receives the report from the Internal Revenue Service, an assessment may be made by the Department within three years from the date of receipt of the report, and you forfeit your right to any refund which might have been due by reason of the changes.
- You need to report a net operating loss.

Complete Form D-400 Schedule AM, 2016 North Carolina Amended Schedule and attach it to the front of Form D-400. You must fill in the circles indicating the reasons you are amending your return and explain in detail the reason for each change.

Use Form D-400 to make any necessary changes to your original return. You must fill in the circle indicating Amended Return. Form D-400 should be completed showing the corrected amounts for Lines 1 through 21. (See Specific Line Instructions)

Form D-400 Schedule S (Pages 1 and 2) must be completed showing the corrected amounts. Form D-400 Schedule S (Pages 1 and 2) is required to be filed if you have reported:

- additions to federal adjusted gross income (Form D-400, Line 7)
- deductions from federal adjusted gross income (Form D-400, Line 9)
- N.C. itemized deductions (Form D-400, Line 11)
- decimal amount for part-year residents and nonresidents (Form D-400, Line 13)

Form D-400TC (Individual Income Tax Credits) must be completed showing the corrected amounts. Form D-400TC is required to be filed if you claimed a tax credit on your original or amended return. See Page 15. Note: Form NC-Rehab or Form NC-478 series and any required supporting schedules should be attached to the front of Form D-400.

In addition, the following information must be attached to your amended return as documentation in support of items that have been changed:

- A copy of a federal audit report.
- A copy of federal Form 1040X and supporting federal changes if changes are also applicable to your federal return.
- W-2s and 1099s to verify a change in income tax withheld.
- NC K-1 to verify tax payments made by a pass-through entity.
- Federal Form 1045, including Schedule A and B, if amending as a result of a net operating loss.

## Specific Line Instructions

### Form D-400, Line 22, Amended Returns Only - Previous Payments

Include on Line 22 the amount paid with the original return (Form D-400, line 27) plus the additional tax paid since your original return was filed. If you did not pay the entire balance due shown on your original return, enter the actual amount that was paid. **Do not include payments of interest or penalties.**

### Form D-400, Line 24, Amended Returns Only - Previous Refunds

Include on Line 24 the overpayment, if any, shown on the original return (Form D-400, line 28). If the overpayment claimed on your original return was previously adjusted by the Department, enter the adjusted overpayment on this line. The amount includes any portion that was refunded, applied to any outstanding

debt, or to estimated tax, or contributed to the N.C. Nongame and Endangered Wildlife Fund or the N.C. Education Endowment Fund. **Do not include interest you received on any refunds.**

### Form D-400, Line 29

Amount of Line 28 to be applied to 2017 Estimated Income Tax. If you elected to have your original refund applied to your estimated tax, **do not enter** this amount again on Line 29.

However, you may elect to have an overpayment from your 2016 amended return applied to your 2017 estimated tax if your amended return is filed by **January 15, 2018.**

### Form D-400, Lines 30 and 31

If you wish to contribute an overpayment from your 2016 amended return to the N.C. Nongame and Endangered Wildlife Fund, enter the amount of the contribution on Line 30. If you wish to contribute an overpayment from your 2016 amended return to the N.C. Education Endowment Fund, enter the amount of the contribution on Line 31. If you elected to have your original refund applied to either the N.C. Nongame and Endangered Wildlife Fund or the N.C. Education Endowment Fund, **do not enter** these amounts again on Lines 30 and 31 since these amounts have already been deducted from your original refund.

### Where to File

Mail Form D-400 Schedule AM, Form D-400, all required schedules, supporting forms, and, if applicable, payment for the amount shown due on Line 27 and Form D-400V Amended to:

N.C. DEPARTMENT OF REVENUE  
P.O. BOX 25000  
RALEIGH, NC 27640-0640

### Amended Return Payment Options

**Pay Online** - You can pay your tax online by bank draft (free), MasterCard or Visa (\$2 convenience fee for every \$100 paid). Visit [www.dornrc.com](http://www.dornrc.com) and search for online file and pay.

**Payment Voucher** - If you do not pay your tax online, visit [www.dornrc.com](http://www.dornrc.com) to generate a personalized D-400V Amended payment voucher. Complete the voucher and enclose it with your amended return and payment. Do not send cash. Write your name, address, and social security number(s) on your payment. Note: The Department will not accept a check, money order, or cashier's check unless it is drawn on a U.S.(domestic) bank and the funds are payable in U.S. dollars. Be sure to enter your social security number(s) in the boxes provided on the voucher. Please do not staple, tape, paper clip, or otherwise attach your payment or voucher to your amended return or to each other.

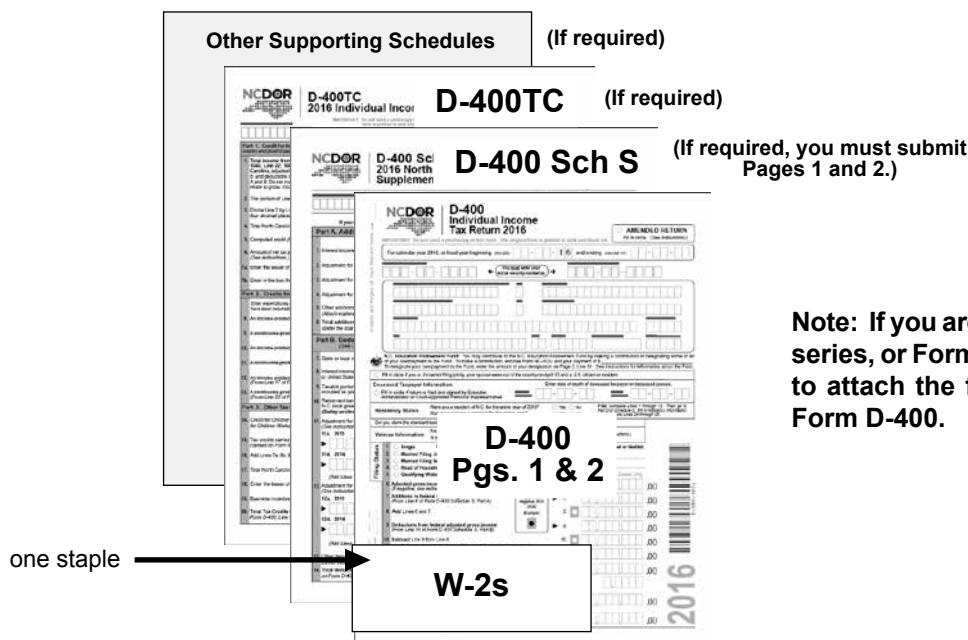
## Important Reminders

- We are unable to process your return if you submit different versions of tax forms and schedules as shown below. Do not mix different versions of tax forms and schedules. All forms and schedules submitted must be the same version.
  - a. Traditional Paper Return (Handwritten)
  - b. Traditional Web (Printed off computer and handwritten)
  - c. Web Fill-in (Form is completed using computer; then printed)
  - d. Software Generated Forms (Computer generated)
- Do not submit photocopies of the return. Submit original forms only. Do not use any prior year forms to file a current year return.
- Double-check your figures, including your social security number. Accuracy speeds processing of your tax return.
- **Use black or blue ink only. Do not use red ink or pencil.**
- When completing your return, use capital letters and do not use (\$), commas, decimal points, or other punctuation marks.
- Round to the nearest dollar.
- Claim the same filing status you claimed on your federal return. (Nonresidents see instructions on Page 6.) If you do not fill in the applicable circle to indicate your filing status, processing of your return will be delayed.
- Sign and date your return on Page 2 of Form D-400. If you file a joint tax return, both you and your spouse must sign the return. Staple the originals or copies of the original State wage and tax statements in the lower left-hand corner of the return.
- You must include a copy of your federal return with your North Carolina return unless your federal return reflects a North Carolina address or you file electronically.
- If you owe additional tax, you can now pay by bank draft using an approved eFile software product. You may also pay your tax online by bank draft (free), Mastercard or Visa (\$2 convenience fee for every \$100 paid). Visit [www.dorn.com](http://www.dorn.com) and search for online file and pay.

## What you should send us...

- ✓ Your North Carolina income tax return (Form D-400)
- ✓ Form D-400 Schedule S (Pages 1 & 2) if claiming additions to income on Line 7, deductions from income on Line 9, N.C. itemized deductions on Line 11 or computation of North Carolina taxable income for part-year residents and nonresidents on Line 13.
- ✓ Form D-400TC if you claimed a tax credit
- ✓ A copy of the tax return you filed in the other state if you are claiming a tax credit for tax paid to another state
- ✓ W-2s and 1099s showing North Carolina tax withheld and a 1099R if you claimed a **Bailey** retirement deduction
- ✓ A check or money order payable to "N.C. Department of Revenue" if you have a balance due along with a payment voucher (Form D-400V or Form D-400V Amended.) **Note:** The Department will not accept a check, money order, or cashier's check unless it is drawn on a U.S. (domestic) bank and the funds are payable in U.S. dollars.
- ✓ Other North Carolina forms or supporting schedules that are required according to the instructions (Please do not send copies of completed worksheets from the instruction booklet or other unnecessary attachments.)

## Assemble your North Carolina return for mailing in the order shown



**Note:** If you are filing Form NC-478 series, or Form NC-Rehab, be sure to attach the form to the front of Form D-400.

**Important:** If you owe tax, do not staple, tape, or otherwise attach your check or voucher to your return or to each other. Instead, just put them loose in the envelope.

## Important Toll Free Telephone Numbers

Automated Refund Inquiry Line..... **1-877-252-4052**  
 Taxpayer Assistance and Forms..... **1-877-252-3052**

## Tax Assistance

Information about individual income tax and tax forms may be obtained from our website at [www.dornc.com](http://www.dornc.com). You may also call the Taxpayer Assistance and Collection Center at **1-877-252-3052** (toll free) for additional assistance in completing your tax forms or to request forms.

### Property for Sale

Looking for a bargain on good used vehicles, furniture, appliances, tools, and jewelry? Go to [www.dornc.com/taxes/usub/](http://www.dornc.com/taxes/usub/) and click on **Vehicles and Property Available for Auction**.

### Maintaining Records

You should keep canceled checks, receipts, or other documentation, including a copy of your federal return, to verify any amount entered on your tax return for a period of at least three years from the due date of the return or three years from the date the return is filed, whichever is later. Lack of adequate records may result in the disallowance of all or part of the deductions. Your canceled check, money order stub, or Departmental receipt showing payment of tax should be kept for at least five years from the due date of the tax return.

### Important Notice Regarding Substitute Returns

Any facsimile or substitute form must be approved by the Department of Revenue prior to its use. If you use computer generated returns, the software company is responsible for requesting approval and receiving an assigned identification number. The Department publishes a list on our website of software developers who have received approval. Photocopies of the return are not acceptable. Returns that cannot be processed by our imaging and scanning equipment will be returned to the taxpayer with instructions to refile on an acceptable form.

### Federal Privacy Act Notice

Disclosing your social security number on your return is required by regulations issued by the Secretary of Revenue under G.S. 105-152, 155, 251, and 252. Social security numbers are used in the administration of the State's tax laws and to exchange tax information with other states and the Internal Revenue Service. Always list your social security number on any attachments to your return and on any correspondence to the Department of Revenue.

### Assistance For Disabled, Low Income, and Senior Citizen Taxpayers

If you are disabled, have a low income, or are a senior citizen, income tax returns can be prepared free of charge through the VITA (Volunteer Income Tax Assistance)/TCE (Tax Counseling for the Elderly) programs. For locations and dates of assistance, taxpayers in North Carolina can call the Internal Revenue Service toll free, **1-800-829-1040**, weekdays.

### Taxpayer Bill of Rights

As a taxpayer, you are always entitled to fair, professional, prompt and courteous service from the North Carolina Department of Revenue. Our goal is to apply the State's tax laws consistently and fairly so that your rights are protected and to see that you pay only your fair share of North Carolina tax. Visit, [www.dornc.com](http://www.dornc.com) and search taxpayer bill of rights.

### **Tax Fraud Hotline 1-800-232-4939**

(919) 707-7597 in Wake County

The Department of Revenue provides a toll free number for citizens who wish to report instances of tax fraud. The number is 1-800-232-4939 (8:00 a.m. to 5:00 p.m., Monday through Friday, except holidays) and should be called **only** to report instances of fraud.

### **Mailing Addresses for Original Returns Only**

**If you are due a refund:** ⇒ N.C. Department of Revenue  
 P.O. Box R  
 Raleigh, N.C. 27634-0001

**If you are not due a refund:** ⇒ N.C. Department of Revenue  
 P.O. Box 25000  
 Raleigh, N.C. 27640-0640

### **Mailing Address for Amended Returns Only**

N.C. Department of Revenue, P.O. Box 25000, Raleigh, NC 27640-0640