

Important Notice: Tax Preparation Software Error May Affect Eligibility for Extra Credit Grant Program

What is the Extra Credit Grant Program?

On September 4, Governor Roy Cooper signed into law the Coronavirus Relief Act 3.0, House Bill 1105, (“[Session Law 2020-97](#)”). The law includes the Extra Credit Grant Program, which will be administered by the North Carolina Department of Revenue (“NCDOR”). The grants are designed to help families with qualifying children pay for virtual schooling and child-care costs during the COVID-19 pandemic with a \$335 payment.

Individuals who reported at least one qualifying child (age 16 or younger) on their 2019 North Carolina individual income tax return, “[2019 Form D-400](#),” will receive the payment automatically. Some North Carolinians who were not required to file a return are still eligible, but must apply by October 15, 2020 in order to receive the grant.

Full information and application are on the NCDOR website: <https://www.ncdor.gov/extracredit>

Tax Preparation Software Error

The NCDOR has become aware that some taxpayers with qualifying children who filed a 2019 Form D-400 might not be eligible for the automatic payment of the \$335 Extra Credit Grant due to a tax preparation software error external to the NCDOR.

According to Session Law 2020-97, individuals who filed a 2019 Form D-400 are eligible for an automatic grant award if they reported at least one qualifying child on line 10a. The instruction on line 10a provides “enter the number of qualifying children for whom you were allowed a federal child tax credit.” It has come to NCDOR’s attention that some tax preparation software incorrectly reports line 10a as “0”—i.e. that the taxpayer has no qualifying children for whom the taxpayer was allowed a federal child tax credit—when a taxpayer was, in fact, allowed a federal child tax credit and does not receive a North Carolina child deduction on line 10b of the 2019 Form D-400. As a result, the rules set forth in the law bar the NCDOR from automatically issuing the grant to those affected taxpayers.

The NCDOR is investigating the issue further and reaching out to tax preparation software vendors to determine which tax preparation software is affected and how widespread the issue may be. The NCDOR is also reaching out to certified public accountants as well.

Taxpayers that were allowed a federal child tax credit are advised to review their 2019 Form D-400 as filed and look at line 10a to determine if the return correctly reported a qualifying child. If the return incorrectly reported “0” children on line 10a, but the taxpayer would otherwise qualify for the grant, the taxpayer may file an amended return prior to the October 15, 2020 deadline.

Amended Returns

Taxpayers seeking to file an amended [2019 Form D-400](#) to correct line 10a should follow these steps:

1. Complete an amended 2019 Form D-400, along with the required [Form D-400 Schedule AM](#).
2. On the amended 2019 Form D-400, make the necessary changes to the original 2019 Form D-400 by showing the corrected number of qualifying children on Line 10a.
3. On Form D-400 Schedule AM, fill in the “**Other**” circle as the reason for amending your tax return and write in “**Extra Credit Grant Program**” as the detailed explanation for the change.
4. Provide a copy of your 2019 federal tax return and any accompanying federal form or statement that supports the changes made to Line 10a on the 2019 Form D-400. The supporting documentation must include the name, age, and social security number of each qualifying child for whom you were allowed a federal child tax credit for tax year 2019.

Importantly, if you amend the 2019 Form D-400 by mail, write “**Extra Credit Grant Program**” at the top, right hand corner of the return. The amended 2019 Form D-400 and any accompanying documents must be postmarked on or before October 15, 2020. For detailed information on how to amend the 2019 Form D-400, see [Form D-401](#), North Carolina Individual Income Tax Instructions for Tax Year 2019.

Assistance

If you have any questions about this notice, you may call the North Carolina Department of Revenue Customer Interaction Center at 1-877-252-3052 (8:00 am until 5:00 pm EST, Monday through Friday), or write the NCDOR at PO Box 1168, Raleigh, NC 27602. As noted earlier in the notice, detailed information about the Extra Credit Grant Program, including an on-line and printable paper application, as well as responses to frequently asked questions, are available on the NCDOR website: <https://www.ncdor.gov/extracredit>.

To the extent there is any change to a statute subsequent to the date of this notice, the provisions in this notice may be superseded or voided. To the extent that any provisions in any other notice, regarding the subject of this notice and issued prior to this notice conflict with this notice, the provisions contained in this important notice supersede the previous guidance.