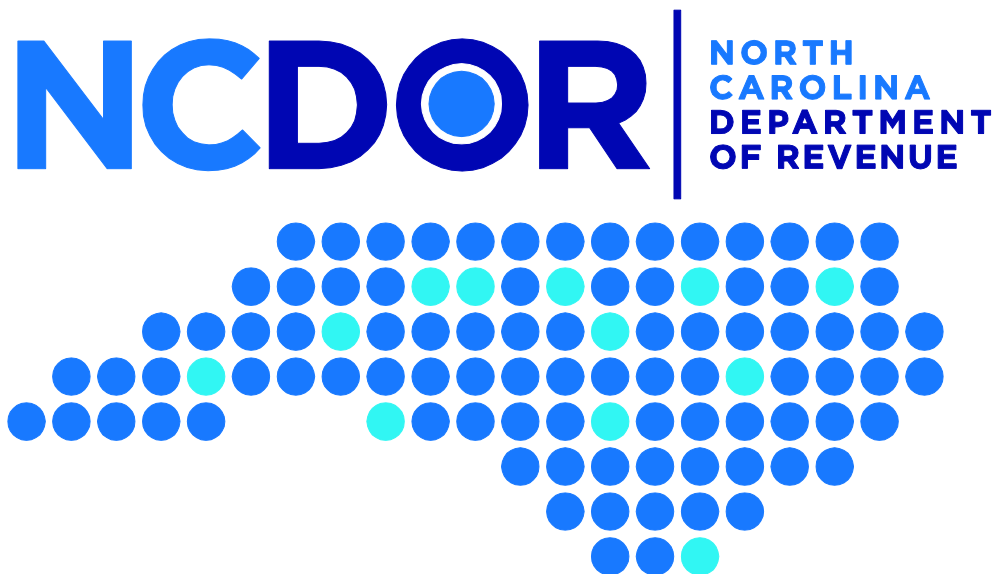
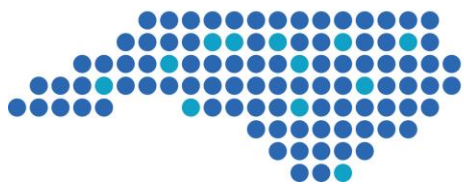


# **2020 Volunteer's Guide To Preparing North Carolina Income Tax Returns**



**North Carolina  
Department of Revenue**



**NCDOR**

**NORTH  
CAROLINA  
DEPARTMENT  
OF REVENUE**

**Roy Cooper  
Governor**

**Ronald G. Penny  
Secretary**

*December 7, 2020*

*Dear Volunteer,*

*I would like to take this opportunity to express my gratitude for your service to the Volunteer Income Tax Assistance and the Tax Counseling for the Elderly programs for the 2020 tax season. The time and energy you provide in meeting the needs of North Carolina's elderly, handicapped, and low to moderate income citizens are essential as many of these individuals are unable to afford a paid preparer.*

*The North Carolina Department of Revenue is committed to the volunteer tax assistance program. We could not accomplish our goal without your unselfish efforts. I commend your willingness to help those in need and trust that you will find the experience rewarding.*

*On behalf of the Department of Revenue, thank you for serving as a volunteer during the tax season. You are appreciated!*

*Very truly yours,*

*Ronald G. Penny  
Secretary of Revenue*

# TABLE OF CONTENTS

## INTRODUCTION

Purpose .....	1
Confidentiality and Integrity .....	1
Quality .....	1
Forms .....	1

## WHAT'S NEW FOR 2020 .....2

## GENERAL INFORMATION

Who should file a North Carolina individual income tax return? .....	3
Filing Requirements Chart .....	4
Is the taxpayer a resident or a nonresident? .....	4
What is the taxpayer's status if he moves into or out of North Carolina during 2020? .....	5
The taxpayer is a full-year North Carolina resident, but the spouse is not. How should they file? .....	5
What is the residency status of a taxpayer who is in the Armed Forces? .....	5
The taxpayer is in the Armed Forces and the taxpayer and spouse are nonresidents. Will the spouse's North Carolina income be taxed in North Carolina? .....	6
What form should the taxpayer use? .....	6
When must the tax return be filed? .....	6
What if the taxpayer needs more time to file? .....	7
When should an Amended North Carolina income tax return be filed? .....	7
What if the taxpayer moves? .....	7

## GENERAL FORM INSTRUCTIONS

On-site quality review .....	8
Rounding off cents to the nearest whole dollar .....	8
Assembling the return.....	8
Signing the return .....	9
Preparer's signature .....	9
How to pay the tax.....	9
Refunds.....	9
Mailing the return.....	10

## FORM D-400 NORTH CAROLINA INDIVIDUAL INCOME TAX RETURN

Name/Address/Social Security Number.....	11
County.....	11
N.C. Education Endowment Fund Contribution.....	11
Out of the Country .....	11
Deceased Taxpayer Information.....	11
Residency Status .....	12
Veteran Information .....	12
Federal Extension .....	12
Filing Status.....	12
Federal adjusted gross income.....	12
Additions to federal adjusted gross income .....	12
Deductions from federal adjusted gross income .....	13
Child Deduction .....	13
N.C. standard deduction or N.C. itemized deductions.....	13
N.C. standard deduction chart .....	13
Part-year resident and nonresident taxable percentage.....	14

North Carolina Taxable Income .....	14
North Carolina income tax .....	14
Tax Credits .....	14
Consumer use tax .....	14
North Carolina income tax withheld .....	14
Other tax payments .....	14
Penalties and Interest .....	15
Interest on the underpayment of estimated income tax .....	15
2021 Estimated income tax .....	16
N.C. Nongame and Endangered Wildlife Fund .....	16
N.C. Education Endowment Fund .....	16
N.C. Breast and Cervical Cancer Control Program .....	16
<b>FORM D-400 SCHEDULE S, SUPPLEMENTAL SCHEDULE</b>	
Part A – Additions to federal adjusted gross income .....	17
Part B – Deductions from federal adjusted gross income .....	19
<b>FORM D-400 SCHEDULE A, N.C. ITEMIZED DEDUCTIONS .....</b>	<b>22</b>
<b>FORM D-400 SCHEDULE PN, PART-YEAR RESIDENT AND NONRESIDENT SCHEDULE</b>	
Part A – Residency status .....	24
Part B – Allocation of income for part-year residents and nonresidents .....	24
Part C – Part-Year Resident and Nonresident taxable percentage .....	25
<b>FORM D-400 SCHEDULE PN-1, OTHER ADDITIONS AND OTHER DEDUCTIONS</b>	
Part A – Other Additions to Federal Adjusted Gross Income .....	26
Part B – Other Deductions from Federal Adjusted Gross Income .....	26
<b>FORM D-400TC, INDIVIDUAL INCOME TAX CREDITS</b>	
Part 1 – Credit for Income Tax Paid to Another State or Country .....	27
Part 2 – Credits for Rehabilitating Historic Structures .....	29
Part 3 – Computation of Total Tax Credits to be Taken for Tax Year 2019 .....	29
<b>REFERENCE INFORMATION</b>	
NCDOR Important Telephone Numbers .....	30
Tax Forms .....	31
Tests .....	42

# INTRODUCTION

**Note**

The information contained in this manual is to be used as a guide in the preparation of the 2020 North Carolina individual income tax return and is not intended to cover all provisions of the law.

**Purpose**

This manual is designed to assist in the preparation of the 2020 North Carolina individual income tax return. It will provide guidance to complete the tax return. This should also serve as a reference guide once you begin offering volunteer assistance to taxpayers.

For volunteers participating in the VITA (Volunteer Income Tax Assistance) and the TCE (Tax Counseling for the Elderly) programs, it is very important for you to assist only with tax returns, supporting schedules, and forms for which you have been trained. Please advise taxpayers with difficult returns or portions of returns that are beyond the scope of your training to contact the Department of Revenue at 1-877-252-3052 for further assistance.

**Confidentiality and Integrity**

As a volunteer tax assistor, you have a special public trust to maintain the integrity of our tax system. The public places a high level of confidence in you; therefore, you **MUST NOT** disclose any tax return information you learn as a result of the assistance provided.

**Quality**

Providing quality service to taxpayers is our goal. Therefore, accuracy in completing tax returns is essential. The following list suggests some ways to ensure that each return is prepared correctly:

- Use a calculator to verify your math.
- Refer to your training manual and job aids for help with complicated topics.
- Use the checklists and worksheets provided.
- Consult with other, more experienced, volunteers at your site.
- Call the Department of Revenue’s taxpayer assistance number at 1-877-252-3052.

**Forms**

The Department of Revenue will provide all the forms needed for your site at the beginning of the filing season. Please send an email to the Customer Education Team at [CustomerEducationTeam@ncdor.gov](mailto:CustomerEducationTeam@ncdor.gov) to request forms.

## WHAT'S NEW FOR 2020?

### **N.C. Standard Deduction Amount Increased**

The N.C. standard deduction for each filing status increased for tax year 2020.

### **New Forms**

**Form D-400 Schedule A** – If you itemize North Carolina deductions, you must complete new Form D-400 Schedule A, 2020 N.C. Itemized Deductions.

**Form D-400 Schedule PN-1** – If you were not a full-year resident of North Carolina during tax year 2020, you may be required to complete new Form D-400 PN-1, 2020 Other Additions and Other Deductions, to report North Carolina additions and deductions that relate to gross income not specifically listed on Form D-400 Schedule PN.

### **Adjustments to Federal Adjusted Gross Income (“AGI”)**

**Additions** – North Carolina did not follow all of the provisions of the federal Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). To the extent these provisions result in items of income that are not included in federal AGI but are taxable to North Carolina, you must complete Form D-400 Schedule S, Part A.

**Deductions** – The North Carolina General Assembly enacted legislation that provided a payment of \$335 to individuals who were eligible to receive a grant under the Extra Credit Grant program. If you included the payment in the computation of federal AGI, you may deduct the payment from N.C. taxable income by completing Form D-400 Schedule S, Part B.

### **N.C. Itemized Deductions**

**Charitable Contribution Limitation** – North Carolina does not allow an individual to deduct qualified contributions of up to 100% of federal adjusted gross income (“AGI”). For N.C. income tax purposes, an individual may only deduct qualified contributions of up to 60% of AGI.

**Medical and Dental Expenses Deduction** – North Carolina allows an individual to deduct medical and dental expenses that exceed 7.5% of federal adjusted gross income.

### **Underpayment of Estimated Tax Interest**

In general, the Secretary is required to assess interest on an underpayment of estimated tax. However, because of the COVID-19 pandemic, the Secretary will waive the accrual of interest between April 15, 2020, and July 15, 2020, (collectively the COVID Period) on estimated tax payments due during the COVID Period.

### **Other 2020 Legislative Changes**

For information on other legislative changes that affect tax year 2020, see the “**2020 Tax Law Changes**” publication available on the Department’s website.

## GENERAL INFORMATION

This section will discuss general information as to who should file a North Carolina individual income tax return, residency requirements, and which tax forms to use as well as when tax returns are due and other general information.

### **Who should file a North Carolina individual income tax return?**

The minimum gross income filing requirements under North Carolina law are different from the filing requirements under the Internal Revenue Code because North Carolina law does not allow the same standard deduction amount as the Internal Revenue Code.

The following individuals are required to file a 2020 North Carolina individual income tax return:

- a. Every resident of North Carolina whose gross income for the taxable year exceeds the amount for their filing status shown in the Filing Requirements Chart on the following page.
- b. Every part-year resident who received income while a resident of North Carolina or who received income while a nonresident that was (1) attributable to the ownership of any interest in real or tangible personal property in North Carolina, or (2) derived from a business, trade, profession, or occupation carried on in North Carolina, or (3) is derived from gambling activities in North Carolina and whose total gross income for the taxable year exceeds the amount for their filing status shown in the Filing Requirements Chart on the following page.
- c. Every nonresident who received income for the taxable year from North Carolina sources that was (1) attributable to the ownership of any interest in real or tangible personal property in North Carolina, (2) or derived from a business, trade, profession, or occupation carried on in North Carolina, or (3) derived from gambling activities in North Carolina and whose total gross income from all sources both inside and outside of North Carolina for the taxable year exceeds the amount for their filing status shown in the Filing Requirements Chart on the following page.
- d. If a taxpayer's federal gross income was less than the amount shown in the Filing Requirements Chart for their filing status, the taxpayer must file a tax return to receive a refund of N.C. income tax withheld.

If a taxpayer was not required to file a federal income tax return, but their total gross income from all sources both inside and outside North Carolina exceeds the amount for their filing status shown in the Filing Requirements Chart on the following page, the individual must complete a federal income tax return and attach it to their North Carolina income tax return to show how their federal adjusted gross income and deductions were determined.

Gross income includes all income a taxpayer receives in the form of money, goods, property, and services that is not exempt from tax. It also includes income from sources outside the United States.

When using the Filing Requirements Chart on the following page, do not include social security benefits as gross income.

## Filing Requirements Chart

<u>Filing Status</u>	<u>A Return is Required if Federal Gross Income Exceeds</u>
Single .....	\$ 10,750
Married - Filing Jointly .....	\$ 21,500
Married - Filing Separately	
If spouse <u>does not claim</u> itemized deductions .....	\$ 10,750
If spouse <u>claims</u> itemized deductions .....	0
Head of Household .....	\$ 16,125
Qualifying Widow(er)/Surviving Spouse .....	\$ 21,500
Nonresident alien ( <i>regardless of filing status</i> ) .....	\$ 0

### Is the taxpayer a resident or a nonresident?

“G.S. § 105-153.3(15)” defines a resident as “an individual who is domiciled in this State at any time during the taxable year or who resides in this State during the taxable year for other than a temporary or transitory purpose.”

In the absence of convincing proof to the contrary, an individual who is present within North Carolina for more than 183 days during the taxable year is presumed to be a resident for income tax purposes, but the absence of an individual from the State for more than 183 days raises no presumption that the individual is not a resident.

A resident who moves from the State during a taxable year is considered a resident of North Carolina until the individual has both established a definite domicile elsewhere and abandoned any domicile in North Carolina. A taxpayer may have several places of abode in a year, but at no time can an individual have more than one domicile. A mere intent or desire to make a change in domicile is not enough; voluntary and positive action must be taken. The fact of marriage does not raise any presumption as to domicile or residence.

Listed below are some of the factors to be considered in determining the legal residence of an individual for income tax purposes. As implied by the list of factors below, an individual's legal state of residence is reflected more by the routine events of life than by events such as voting or obtaining a driver's license which may occur every four or eight years.

1. Place of birth of the taxpayer, the taxpayer's spouse, and the taxpayer's children.
2. Permanent residence of the taxpayer's parents.
3. Family connections and close friends.
4. Address used for federal tax returns, military purposes, passports, driver's license, vehicle registrations, insurance policies, professional licenses or certificates, subscriptions for newspapers, magazines, and other publications, and monthly statements for credit cards, utilities, bank accounts, loans, insurance, or any other bill or item that requires a response.
5. Civic ties, such as church membership, club membership, or lodge membership.
6. Professional ties, such as licensure by a licensing agency or membership in a business association.
7. Payment of state income taxes.
8. Place of employment or, if self-employed, place where business is conducted.
9. Location of healthcare providers, such as doctors, dentists, veterinarians, and pharmacists.
10. Voter registration and ballots cast, whether in person or by absentee ballot.



11. Occasional visits or spending one's leave "at home" if a member of the armed services.
12. Ownership of a home, insuring a home as a primary residence, or deferring gain on the sale of a home as a primary residence.
13. Location of pets.
14. Attendance of the taxpayer or the taxpayer's children at State supported colleges or universities on a basis of residence – taking advantage of lower tuition fees.
15. Location of activities for everyday "hometown" living, such as grocery shopping, haircuts, video rentals, dry cleaning, fueling vehicles, and automated banking transactions.
16. Utility usage, including electricity, gas, telecommunications, and cable television.

### **What is the taxpayer's status if he moves into or out of North Carolina during 2020?**

An individual who moves their domicile (legal residence) into or out of North Carolina during the tax year is a part-year resident. A part-year resident must complete Form D-400 Schedule PN, Part-Year Resident and Nonresident Schedule, and may need to complete Form D-400 Schedule PN-1, Other Additions and Other Deductions (if applicable) to determine the percentage of federal gross income, as adjusted, subject to North Carolina income tax.

Listed below are some of the factors to consider in determining when residency may have changed:

1. Selling a house and buying a new one.
2. Directing U.S. Postal Service to forward mail to a new address.
3. Transferring family medical records to a new healthcare provider.
4. Notifying senders of statements, bills, subscriptions, and similar items of a new address.
5. Registering a vehicle in a new jurisdiction.
6. Transferring memberships for church, health club, lodge, or similar activity.
7. Applying for professional certifications in a new jurisdiction.

### **The taxpayer is a full-year North Carolina resident, but the spouse is not. How should they file?**

If a taxpayer files a joint federal return and their spouse is a nonresident of North Carolina who had no North Carolina taxable income, the taxpayer may file a joint North Carolina return or a North Carolina return as married filing separately. If the taxpayer chooses to file a North Carolina return as married filing separately, the taxpayer must complete either a federal return as married filing separately reporting only the taxpayer's income and deductions or a schedule showing the computation of the taxpayer's separate income and deductions and attach it to their North Carolina tax return.

### **What is the residency status of a taxpayer who is in the Armed Forces?**

If a taxpayer is serving in the United States Armed Forces and their domicile (legal residence) is North Carolina, the taxpayer must pay North Carolina income tax and North Carolina income tax should be withheld from their military pay, regardless of where the taxpayer is stationed. Domicile or legal residence is an individual's permanent home. A taxpayer's legal residence does not change even though the taxpayer may be absent for one or more years unless the taxpayer intends to change their state of residence and take voluntary and positive actions to do so.

If a taxpayer is a legal resident of another state who is stationed in North Carolina on military orders, their military pay will not be taxed by North Carolina.

## **The taxpayer is in the Armed Forces and the taxpayer and spouse are nonresidents. Will the spouse's North Carolina income be taxed in North Carolina?**

The Veterans Benefits and Transition Act of 2018 amended the Servicemembers Civil Relief Act to allow the spouse of a servicemember to elect to use the same state of residence as the servicemember for state tax purposes. Beginning with taxable year 2018, this election can be made regardless of when or where the taxpayers were married.

The income earned for services performed in North Carolina by a spouse of a servicemember who made the residency election under the Veterans Benefits and Transition Act of 2018 is not subject to North Carolina income tax if: (1) the servicemember is present in North Carolina serving in compliance with military orders, (2) the servicemember's spouse is in North Carolina solely to be with the servicemember, and (3) the active duty servicemember maintains legal residence in a state other than North Carolina and the servicemember's spouse elects that same state as their legal state of residence.

If all three of the above 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 all of the requirements should see the instructions for Form D-400 Schedule PN in the individual income tax instruction booklet.

## **What form should the taxpayer use?**

All individuals (including part-year residents and nonresidents) required to file a North Carolina individual income tax return must file Form D-400. If a taxpayer has additions to or deductions from federal adjusted gross income, they must complete and attach Form D-400 Schedule S, Supplemental Schedule to Form D-400. If the taxpayer claims North Carolina itemized deductions, they must complete and attach Form D-400 Schedule A, N.C. Itemized Deductions to Form D-400. If a taxpayer is a part-year resident or nonresident who received income from North Carolina sources, they must complete and attach Form D-400 Schedule PN, Part-Year Resident and Nonresident Schedule to Form D-400 and may need to complete Form D-400 Schedule PN-1, Other Additions and Other Deductions (if applicable). If a taxpayer is claiming a North Carolina tax credit, they must complete and attach Form D-400TC to Form D-400. In addition, if a taxpayer is claiming a North Carolina tax credit and is required to complete Form NC-478 or Form NC-Rehab, they must attach the applicable form(s) to Form D-400.

## **When must the tax return be filed?**

If a taxpayer's return is filed on a calendar year basis, the 2020 return is due on or before **Thursday, April 15<sup>th</sup>, 2021**.

A fiscal year return is due on the 15<sup>th</sup> day of the 4<sup>th</sup> month following the end of the taxable year. When the due date falls on a Saturday, Sunday, or legal holiday, the return is due on or before the next business day. A fiscal year return must be filed on a tax form for the year in which the fiscal year begins. For example, a 2020 tax form must be used for a fiscal year beginning in 2020. If a fiscal year return is filed, the applicable dates should be printed in the boxes provided at the top of Form D-400.

If a taxpayer is out of the country on the original due date of the return, the taxpayer is granted an automatic four month extension to file their North Carolina individual income tax return if the circle is filled in on page 1 of Form D-400. "Out of the Country" means a taxpayer lives outside the United States and Puerto Rico and their main place of work is outside of the United States and Puerto Rico, or they 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.

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

## **What if the taxpayer needs more time to file?**

A taxpayer who receives an automatic extension to file a federal individual income tax return will be granted an automatic state extension to file their N.C. individual income tax return, Form D-400. In order for a taxpayer to receive the automatic state extension, the taxpayer **MUST** fill in the “Federal Extension” circle on page 1 of Form D-400.

If a taxpayer does not receive an automatic state extension to file their N.C. individual income tax return, the taxpayer may still request an extension of time to file their return by filing Form D-410, Application for Extension for Filing Individual Income Tax Return, by the original due date of the N.C. tax return. Without a valid state extension, a N.C. individual income tax return filed after the original due date is delinquent and is subject to interest and all applicable penalties provided by law. **Important:** Although a taxpayer isn’t required to make a payment of the tax they estimate as due with Form D-410, an extension of time to file a state tax return does not extend the time to pay the tax. If a taxpayer doesn’t pay all of the taxes owed by the original due date, the taxpayer will owe interest on the remaining balance. The taxpayer may also be charged penalties.

## **When should an Amended North Carolina income tax return be filed?**

Generally, an amended return on which a taxpayer owes additional tax is required to be filed and the tax paid within three years after the date the taxpayer filed their return or within three years from the date required by law for filing the return, whichever is later. Amended returns requesting a refund must be filed within the statute of limitations for refunds.

If the Internal Revenue Service makes changes to a taxpayer’s federal return, the taxpayer must report the changes to the state by filing an amended return within six months from the date the report from the Internal Revenue Service is received. If a taxpayer does not amend the 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 the taxpayer’s right to any refund which might have been due by reason of the change is forfeited.

In addition, if a taxpayer voluntarily files an amended federal return that increases the amount of state tax payable, the taxpayer must file an amended North Carolina return within six months of filing the amended federal return. If the amended federal return contains an adjustment that would decrease that amount of state tax payable, the taxpayer may file an amended North Carolina return within the general statute of limitations for obtaining a refund. If a taxpayer does not amend the state return to report the federal changes, an assessment may be made by the Department within three years after the date the federal amended return was filed with the Internal Revenue Service, and the taxpayer’s rights to any refund which might have been due by reason of the amended return is forfeited.

## **What if the taxpayer moves?**

If the taxpayer moves or has a change in their mailing address, the taxpayer should notify the North Carolina Department of Revenue by calling 1-877-252-3052 or writing a letter to the Department indicating their new address and mailing it to the below address:

N.C. Department of Revenue  
Attention: Customer Service  
Post Office Box 1168  
Raleigh, NC 27602-1168

The taxpayer should include their name(s), social security number(s) and new address. This will ensure that the taxpayer receives a timely refund.

## GENERAL FORM INSTRUCTIONS

This section of the manual includes reminders about completing the North Carolina individual income tax return as well as what to do when the return is completed. The following information applies to **ALL** North Carolina individual income tax returns.

### On-site quality review

The volunteer should review the return for accuracy and completeness. Properly reviewed returns will help prevent taxpayers from receiving a notice from the Department of Revenue. The following checklist should be used as a guideline for your review of the North Carolina individual income tax return.

- ✓ Are the name(s), address, social security number(s), county, and contact telephone number of the taxpayer(s) properly reflected on the return?
- ✓ Are the questions answered correctly in the circles under the name and address section?
- ✓ Is the filing status the same as the one checked on the federal return (unless the exception applies)?
- ✓ Has the federal adjusted gross income from the federal return been correctly transferred?
- ✓ Has the correct North Carolina tax been determined?
- ✓ Has the North Carolina income tax withheld been correctly transferred from the W-2 form(s) or 1099 statement(s)?
- ✓ Is the refund or balance due calculated correctly?
- ✓ Did the taxpayer(s) sign and date the tax return?
- ✓ Did the volunteer indicate the return was prepared by VITA or TCE, date the return, and identify the VITA site?
- ✓ Are all required forms and/or schedules attached to the tax return?

### Rounding off cents to the nearest whole dollar

Round off to the nearest whole dollar. Drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next whole dollar.

Examples:     \$2.15 would be decreased to \$2.00  
                  \$4.75 would be increased to \$5.00  
                  \$3.50 would be increased to \$4.00

### Assembling the return

Staple the State's copy of all original, or a copy of the original, wage and tax statements (W-2s), 1099 statements, or other statements verifying North Carolina income tax withheld, and a 1099-R verifying the **Bailey** retirement deduction, if applicable, in the bottom left margin of the tax return as indicated. Be sure to include all required schedules, if applicable.

If a payment is due, do not staple, tape, paperclip, or otherwise attach the payment or voucher to the tax return or to each other. For additional information regarding a payment due, please see "**How to pay the tax**" on the next page.

## **Signing the return**

The taxpayer's return is not considered valid unless it is signed. If the taxpayer is filing a joint return, the spouse must also sign. The taxpayer should include the signature date and contact phone number on the tax return. Providing the taxpayer's contact phone number may help speed the processing of their tax return. If the taxpayer answers questions over the phone, the Department may be able to process their return without mailing them a letter. If the taxpayer is filing a joint return, either spouse's phone number can be entered.

## **Preparer's signature**

Generally, individuals who are paid to prepare individual income tax returns are required by law to sign and date the return and to provide a taxpayer identification number. Individuals participating in the VITA or TCE program should indicate in bold letters VITA or TCE, date the return, and also identify the site where the return was prepared in the "Preparer's Signature" section of the tax return.

## **How to pay the tax**

If the taxpayer owes additional tax, they 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 the Department's website at [www.ncdor.gov](http://www.ncdor.gov).

A taxpayer 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. The taxpayer should make their check or money order payable to the N.C. Department of Revenue for the full amount due. The taxpayer should write "2020 D-400" and their name, address, and social security number on their payment. If the taxpayer is filing a joint return, both social security numbers should be written on the payment in the order that they appear on the return.

If the taxpayer does not pay online, they may visit the Department's website and generate a personalized D-400V, Individual Income Tax Payment Voucher. They can submit the payment voucher with their return and payment, and mail to the following address:

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

If tax software is used to prepare the taxpayer's return, include Form D-400V and payment with the tax return generated by the software package.

## **Refunds**

A taxpayer can check the status of their refund at the Department's website at [www.ncdor.gov](http://www.ncdor.gov). The automated refund inquiry line 1-877-252-4052 (toll-free) will also give the taxpayer the status of their current refund. The taxpayer can also obtain amended return refund information. Service is available 24 hours a day, seven days a week. The taxpayer will need the first social security number and the amount of refund shown on their return when contacting the Department.

## **Mailing the return**

After the North Carolina Individual Income Tax has been completed and reviewed, return it to the taxpayer for signing and mailing. **YOU MUST NOT BE RESPONSIBLE FOR MAILING ANY TAXPAYER'S RETURN.** Please advise the taxpayer to make a copy of the completed return along with all supporting schedules before mailing and to keep the copy for at least three years. Advise the taxpayer to mail the original forms. Photocopies are not acceptable. Also, remind the taxpayer that the return (or application for an extension) must be mailed no later than **Thursday, April 15, 2021.**

Inform the taxpayer to mail the return to one of the following addresses:

**Refunds:** North Carolina Department of Revenue  
P.O. Box R  
Raleigh, NC 27634-0001

**All Other Returns:** North Carolina Department of Revenue  
P.O. Box 25000  
Raleigh, NC 27640-0640

**FORM D-400,  
NORTH CAROLINA INDIVIDUAL  
INCOME TAX RETURN**

**Name, Address, and Social Security Number**

Enter the taxpayer's name, address, and social security number. If a taxpayer is filing as married filing jointly, enter the spouse's name and social security number in the designated space. If a taxpayer is married filing separately, provide the spouse's name and social security number on Line 3.

**County**

Enter the first 5 letters of the county in which the taxpayer resided on the last day of 2020. The county of residence may be different than the county of the taxpayer's mailing address.

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

A taxpayer may elect to contribute to the N.C. Education Endowment Fund by making a contribution to the fund. To make a contribution, a taxpayer can enclose Form NC-EDU and their payment with their completed Form D-400. If a taxpayer owes additional income tax on their return and would like to make a contribution to the fund, the taxpayer may write one check and enclose the check with both Form NC-EDU and Form D-400V. To designate part of the taxpayer's overpayment to the N.C. Education Endowment Fund, see instructions for Line 31 on Page 16 of the individual income tax instruction booklet.

**Out of the Country**

Fill in the circle if the taxpayer or, if married filing jointly, the taxpayer's spouse were out of the country on the statutory due date of the return.

**Deceased Taxpayer Information**

If the taxpayer is a surviving spouse or an executor, administrator, or court-appointed personal representative, (collectively "personal representative") of an individual who died during tax year 2020, they may be required to file a return on the decedent's behalf.

If an individual is a personal representative and is filing a tax return for an unmarried individual or a married filing separate return for an individual who died during tax year 2020, enter the name of the deceased and your address in the "Name and Address" section. In the "Deceased Taxpayer Information" section, fill in the circle and enter the taxpayer's date of death. You should also sign the tax return. In addition, attach to the tax 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 spouse or personal representative will be mailed to the Clerk of Superior Court of the county in which the taxpayer resided.

If a taxpayer is a surviving spouse and chooses to file married filing jointly with their spouse who died during tax year 2020, enter their name, the name of the deceased, and their address in the "Name and Address" section of the return. In the "Deceased Taxpayer Information" section, enter the date of the decedent's death in the space provided. The surviving spouse should also sign the tax return.

If a taxpayer is a surviving spouse and chooses to file married filing separately for their spouse who died during tax year 2020, enter the name of the deceased taxpayer and their address in the "Name and Address" section of the return. In the "Deceased Taxpayer Information" section, enter the date of the decedent's death in the space provided. The surviving spouse should also sign the return.

## **Residency Status**

A taxpayer should fill in the applicable circles to indicate whether he/she and, if married filing jointly, their spouse were residents of North Carolina for the entire year. If married filing separately, a taxpayer should not complete the information for their spouse.

## **Veteran Information**

Fill in the applicable circle(s) to indicate whether the taxpayer and, if married filing jointly, the taxpayer's spouse are veterans. If married filing separately, a taxpayer should not complete the information for their spouse. Veteran information, which is voluntarily reported, is used to compile a report about the number of veterans filing tax returns in North Carolina. No information regarding a taxpayer's tax liability will be shared. Information specific to individual employers or employees shall remain confidential in accordance with G.S. 105-259.

## **Federal Extension**

A taxpayer should fill in the circle to certify if he/she and, if married filing jointly, their spouse were granted an automatic extension to file their 2020 federal income tax return. If a taxpayer does not certify that an automatic federal extension was granted, then the taxpayer will be subject to applicable penalties.

## **Lines 1-5 Filing Status**

A taxpayer should fill in the circle next to the same filing status that was checked on their federal tax return. If a taxpayer did not file a federal tax return, the taxpayer should fill in the circle that corresponds to the filing status that they would have been entitled to if they had filed a federal income tax return. If a taxpayer's federal return does not reflect a North Carolina address, the taxpayer **must** attach a copy of their federal return to their state tax return.

If a taxpayer files a joint federal return and their spouse is a nonresident of North Carolina who had no North Carolina taxable income, they may file a joint state return or a married filing separately state return. If the taxpayer chooses to file a separate North Carolina return, they must complete either a federal return as married filing separately reporting only their income and deductions or a schedule showing the computation of their separate income and deductions and attach it to their North Carolina return.

## **Line 6 Federal Adjusted Gross Income**

Enter the taxpayer's federal adjusted gross income. If the taxpayer filed a 2020 federal tax return, enter their federal adjusted gross income from their completed federal return. If the taxpayer did not file a federal income tax return, a schedule must be completed showing the computation of the taxpayer's federal adjusted gross income and deductions. Attach the schedule to their North Carolina income tax return. If the taxpayer's federal adjusted gross income is a negative amount, enter the amount and fill in the circle to indicate the amount is negative.

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

In calculating North Carolina taxable income, a taxpayer **MUST** add to federal adjusted gross income certain items that are taxable to North Carolina that were not included in federal adjusted gross income. Lines 1 through 17 of Form D-400 Schedule S, Supplemental Schedule, should be completed if applicable. Enter the total additions from Line 17, Form D-400 Schedule S on Line 7. For more information, see "Part A – Additions to Federal Adjusted Gross Income (Lines 1 through 17)" on Page 17.

## **Line 8** Add Lines 6 and 7.



## Line 9 Deductions from Federal Adjusted Gross Income

In calculating North Carolina taxable income, a taxpayer may deduct from federal adjusted gross income certain items that were taxable at the federal level that are not taxable to North Carolina. Lines 18 through 34 of Form D-400 Schedule S, Supplemental Schedule, should be completed if applicable. Enter the total deductions from Line 34, Form D-400 Schedule S on Line 9. For more information, see “Part B – Deductions from Federal Adjusted Gross Income (Lines 18 through 34)” on Page 19.

## Line 10a Child Deduction

Enter the number of qualifying children for whom a taxpayer was allowed a federal child tax credit for tax year 2020.

## Line 10b Child Deduction

Enter the amount of the child deduction. To compute the child deduction, the “Child Deduction Worksheet” on page 13 of the individual income tax instruction booklet should be completed.

## Line 11 N.C. Standard Deduction or N.C. Itemized Deductions

A taxpayer may deduct from federal adjusted gross income either the N.C. standard deduction or N.C. itemized deductions. In most cases, a taxpayer’s state income tax will be less if the taxpayer takes the larger of their N.C. itemized deductions or their N.C. standard deduction.

A taxpayer should fill in the correct circle to indicate which deduction they are claiming.

### North Carolina Standard Deduction

Use the chart below to determine the amount of the taxpayer’s N.C. standard deduction based on their filing status.

N.C. Standard Deduction Chart	
If your filing status is:	Your standard deduction is:
Single	\$ 10,750
Married filing jointly/Qualifying widow(er)/ Surviving spouse	\$ 21,500
Married filing separately	
If spouse does not claim itemized deductions	\$ 10,750
If spouse claims itemized deductions	0
Head of household	\$ 16,125

**If you are not eligible for the federal standard deduction, your N.C. standard deduction is ZERO.** (For information on who is eligible for the federal standard deduction, see federal publication 501, Dependents, Standard Deduction, and Filing Information.)

### North Carolina Itemized Deductions (See Form D-400 Schedule A, N.C. Itemized Deductions)

To compute a taxpayer’s North Carolina itemized deductions, complete Form D-400 Schedule A, Lines 1 through 9.

**Line 12a** Add Lines 9, 10b, and 11.

**Line 12b** Subtract the amount on Line 12a from Line 8.

**Line 13 Part-year Residents and Nonresidents Taxable Percentage**

Part-year residents and nonresidents enter the taxable percentage as calculated on Form D-400 Schedule PN. The taxable percentage must be entered as a decimal amount; round to four decimal places. Note: The resulting percentage may be greater than 100%.

**Line 14 North Carolina Taxable Income**

**Full-year residents** enter the amount from Line 12b.

**Part-year residents and nonresidents** multiply amount on Line 12b by the decimal amount on Line 13.

**Line 15 North Carolina Income Tax**

To calculate a taxpayer's tax, multiply Line 14 by the income tax rate of 5.25% (0.0525). If zero or less, enter a zero.

**Line 16 Tax Credits**

Enter the amount from Form D-400TC, Individual Income Tax Credits, Part 3, Line 19, if applicable.

**Line 17** Subtract Line 16 from Line 15.

**Line 18 Consumer Use Tax**

North Carolina use tax is due by individuals and businesses on tangible personal property purchased, leased or rented inside or outside this state for storage, use, or consumption in North Carolina pursuant to G.S. 105-164.6. Use tax is also due on taxable services sourced to North Carolina and certain digital property purchased inside or outside this state for storage, use, or consumption in North Carolina. **A taxpayer must pay use tax to the Department when retailers, remote sellers, or facilitators do not collect sales or use tax on taxable transactions.** A taxpayer should complete Line 18 to report any consumer use tax that is due. To determine the correct amount of consumer use tax due for 2020, utilize the use tax table or the use tax worksheets on Page 26 and Page 27 of the individual income tax instruction booklet. If a taxpayer certifies that no Consumer Use Tax is due, the taxpayer should fill in the circle in the space provided.

**Line 19** Add Lines 17 and 18.

**Line 20 North Carolina Income Tax Withheld**

Enter the total North Carolina income tax withheld on Lines 20a and 20b, as applicable. If completing a married filing joint return, enter the tax withheld on Lines 20a and 20b in the same order as the names are listed in the name and address section of the return. Do not include income tax withheld for a state other than North Carolina or any other amounts that were withheld.

Be sure to attach all original wage and tax statements (W-2's), 1099's, and other statements on which N.C. income tax withholding amounts appear. It is not necessary to attach 1099's on which no North Carolina income tax withheld is reported unless a taxpayer is claiming a **Bailey** retirement deduction.

**Line 21 Other Tax Payments**

- a) **2020 Estimated Tax** – Enter any estimated income tax payments for 2020 (including any portion of the taxpayer's 2019 refund that was applied to estimated income).
- b) **Paid with Extension** – If the taxpayer applied for a North Carolina extension (Form D-410), enter any amount of North Carolina income tax paid with the extension.

- c) **Partnership** – If the taxpayer was a nonresident partner, enter the taxpayer’s share of the tax paid to North Carolina by the manager of the partnership on the taxpayer’s distributive share of the partnership income. Include with the 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 the taxpayer was a nonresident shareholder of an S corporation, enter the taxpayer’s share of the income tax paid to North Carolina by an S corporation on the taxpayer’s distributive share of the S corporation income. Include with the 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 amending the 2020 return. Please see page 15 of the individual income tax instruction booklet for more information.

**Line 23 Total Payments**

Add Lines 20a through 22.

**Line 24 Amended Returns Only – Previous Refunds**

Complete this line only if amending the 2020 return. Please see page 15 of the individual income tax instruction booklet for more information.

**Line 25** Subtract Line 24 from Line 23.

**Line 26a** If Line 19 is more than Line 25, subtract Line 25 from Line 19. Otherwise, go to Line 28.

**Line 26b and 26c Penalties and Interest**

See “Will I Owe Interest and Penalties?” beginning on page 8 of the individual income tax instruction booklet to determine if any penalties apply to the taxpayer or if the taxpayer owes interest.

**Line 26d** Add Lines 26b and 26c and enter the total amount of penalties and interest on Line 26d.

**Line 26e Interest on the Underpayment of Estimated Income Tax**

The taxpayer may owe interest if they underpaid their estimated tax for any payment period. The taxpayer will not owe interest if they 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, “Underpayment of Estimated Tax by Individuals,” to determine if the taxpayer owes interest on the underpayment of estimated income tax. Enter the correct amount of interest on Line 26e. The interest will increase the taxpayer’s tax liability or reduce their overpayment.

- **Farmers and Fisherman.** If a taxpayer is a farmer or fisherman and files their 2020 N.C. return and pays the tax in full by March 1, 2021, they will not owe interest. A taxpayer is considered a farmer or fisherman if he received at least two-thirds of his gross income for the year from farming or fishing. If applicable, enter an “F” in the box provided.
- **Annualized Income.** If a taxpayer’s income varied during the year and completed Form D-422A, Annualized Income Installment Worksheet, enter the amount of interest due on Form D-400, Line 26e. Enter an “A” in the box provided.
- **COVID-19.** Due to the COVID-19 pandemic, the Secretary will waive the accrual of interest between April 15, 2020, and July 15, 2020, (collectively, the "COVID Period"), owed on estimated tax payments due during the COVID Period. Complete Form D-422 and enter the amount of interest due on Form D-400, Line 26e, Enter "C" in the box provided.

**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.**

**Line 28 Overpayment**

If Line 19 is less than Line 25, subtract Line 19 from Line 25.

**Line 29 2021 Estimated Income Tax**

If the taxpayer has overpaid their tax, the taxpayer may elect to have a portion or all of their overpayment applied to their estimated tax for the following year by entering the amount to be applied on Line 29. The election to apply any overpayment to 2021 cannot be changed after the 2020 return is filed.

**Line 30 N.C. Nongame and Endangered Wildlife Fund**

If the taxpayer wishes to contribute part or all of their refund to the North Carolina Nongame and Endangered Wildlife Fund, enter the amount of the contribution on Line 30. The election to contribute to the Fund cannot be changed after the return is filed. If the taxpayer is not due a refund, they may still contribute to this Fund by donating online or mailing their 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).

**Line 31 N.C. Education Endowment Fund**

If the taxpayer wishes to contribute part or all of their refund to the N.C. Education Endowment Fund, enter the amount of the contribution on Line 31. The election to contribute to the Fund cannot be changed after the return is filed. If the taxpayer is not due a refund, they may still contribute to this Fund by making a contribution with their tax return or mailing a donation directly to the North Carolina Department of Public Instruction, Cash Collections, 6336 Mail Service Center, Raleigh, North Carolina 27699-6336.

**Line 32 N.C. Breast and Cervical Cancer Control Program**

If the taxpayer wishes to contribute part or all of their refund to the N.C. Breast and Cervical Cancer Control Program, enter the amount of the contribution on Line 32. The election to contribute to NC BCCCP cannot be changed after the return is filed. The taxpayer may also contribute to the NC BCCCP by mailing a donation directly to N.C. Cancer Prevention and Control Branch of the Division of Public Health of the Department of Health and Human Services, 1922 Mail Service Center, Raleigh, North Carolina 27699-1922. Checks should be made payable to “North Carolina Department of Health and Human Services” with an indication either on the check or in an attached note it is a contribution for the N.C. Breast and Cervical Cancer Control Program Fund.

**Line 33** Add Lines 29 through 32.

**Line 34 Amount to be Refunded**

Subtract Line 33 from Line 28. This is the **Amount To Be Refunded**.

**FORM D-400, SCHEDULE S  
SUPPLEMENTAL SCHEDULE**

Form D-400 Schedule S, Supplemental Schedule contains two Parts: Part A, Additions to Federal Adjusted Gross Income and Part B, Deductions from Federal Adjusted Gross Income. If the taxpayer has no additions to or deductions from federal adjusted gross income, do not complete or attach Form D-400 Schedule S to the D-400. If an amount is entered on Form D-400, North Carolina Individual Income Tax Return, Lines 7 or 9, Schedule S must be attached.

**Part A - Additions to Federal Adjusted Gross Income (Lines 1 through 17)**

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

Interest income received from notes, bonds, and other obligations of states and political subdivisions other than North Carolina must be added to federal adjusted gross income if not already included. 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 Deferred Gains Reinvested into an Opportunity Fund under IRC Section 1400Z-2**

North Carolina did not follow the temporary deferral of income for certain gains timely invested in a qualified Opportunity Fund under Internal Revenue Code section 1400Z-2. These gains are not deferred for North Carolina tax purposes and must be included in determining N.C. taxable income. Therefore, an addition to federal adjusted gross income is required for gains reinvested into a qualified Opportunity Fund under IRC section 1400Z-2.

**Line 3 Bonus Depreciation**

North Carolina did not adopt the 100% bonus depreciation provisions in IRC sections 168(k) or 168(n) for property placed in service for tax year 2020. An addition is required for 85% of the amount of bonus depreciation deducted on the taxpayer's federal return to the taxpayer's state return.

**Line 4 IRC Section 179 Expense**

North Carolina did not conform to the increased federal expense deduction or increased investment limitations for tax year 2020. An addition is required for 85% of the difference between the IRC section 179 expense deduction using federal limitations and the deduction using N.C. limitations to a taxpayer's state return. N.C. dollar and investment limitations are \$25,000 and \$200,000, respectively.

**Line 5 S-Corporation Shareholder Built-in Gains Tax**

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

**Line 6 Amount by Which Federal Basis Exceeds State Basis for Property Disposed of in 2020**

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

### **Line 7 Unabsorbed Net Operating Loss Deduction**

If a taxpayer carries over a net operating loss from another year to the 2020 federal return, an addition is required for the amount of the net operating loss carried to the 2020 year that is not absorbed and will be carried forward to subsequent years.

### **Line 8 Excess Net Operating Loss Carryforward Deduction**

North Carolina did not conform to the suspension of the 80% net operating loss (NOL) carryforward deduction limitation under IRC section 172 for NOLs incurred during tax years 2018, 2019, or 2020. The taxpayer must enter the difference between the NOL carryforward deduction taken on the federal return and the amount allowed under the provisions of IRC section 172(a)(2)(B), as enacted as of January 1, 2019. **Note:** If a taxpayer is required to add back a NOL deduction under G.S. 105-153.5(c2)(13), for tax year 2020, the taxpayer may deduct 20% of the amount added back in the first five taxable years beginning with tax year 2021.

### **Line 9 Withdrawal of 529 Plan Contributions not Used for Permissible Purpose**

Effective for taxable years beginning on or after January 1, 2006 and repealed effective for taxable years beginning on or after January 1, 2014, certain contributions made to North Carolina's National College Savings Program ("N.C. 529 Plan") were deductible for state tax purposes. If a taxpayer took a state tax deduction for contributions made to the N.C. 529 Plan while the deduction was in effect, and in tax year 2020, the taxpayer withdrew funds from the plan, the taxpayer must add to federal adjusted gross income the amount deducted in the prior years to the extent the funds withdrawn were not used for a purpose allowed under IRC section 529.

### **Line 10 Discharge of Qualified Principal Residence**

North Carolina did not adopt the provision of IRC section 108 that allows a taxpayer to exclude from federal gross income the cancellation of qualified principal residence debt. An addition is required for the amount of qualified principal residence debt discharged in 2020 that was excluded from federal gross income under IRC section 108.

### **Line 11 Qualified Tuition and Related Expenses**

North Carolina did not adopt IRC section 222, which allows a taxpayer who does not itemize federal deductions to deduct qualified tuition and related expenses as an adjustment in determining federal adjusted gross income, i.e. an "above-the-line" deduction. An addition is required for the amount of qualified tuition and related expenses deducted in calculating a taxpayer's federal adjusted gross income under IRC section 222.

### **Line 12 Excess Business Loss Limitation**

North Carolina did not conform to the suspension of the excess business loss limitation under IRC section 461(I) for tax years 2018, 2019, and 2020. Therefore, an addition is required for the amount of excess business loss, as defined under IRC section 461(I), as enacted as of January 1, 2019. **Note:** The addition does not apply to the extent the excess business loss was included as an addition under G.S. 105-153(c2)(8), (9), or (10). Also, "Qualified Improvement Property," ("QIP") bonus depreciation should not be included in the calculation of the excess business loss to the extent the QIP bonus depreciation is added to federal adjusted gross income pursuant to G.S. 105-153.6(a).

**Line 13 Qualified Education Loan Payments by Employer**

North Carolina did not conform to the amendment to IRC section 127(c), which temporarily expanded the definition of “educational assistance” to include employer payments of qualified education loans, as defined under IRC section 221(d)(1). An addition is required for the amount excluded from federal adjusted gross income made by the employer for qualified education loans.

**Line 14 Expenses Deducted Under a Forgiven PPP Loan**

The amount of loan forgiveness under a Paycheck Protection Program (“PPP”) loan is not taxable for state income tax purposes to the extent the amount of loan forgiveness is excluded from federal gross income. However, for N.C. income tax purposes, any expenses paid using the proceeds of the forgiven PPP loan that are otherwise deductible from federal adjusted gross income are not deductible when calculating NC taxable income. Therefore, an addition is required for the amount of expenses deducted from federal adjusted gross income if the expenses were paid with proceeds from a PPP loan and the loan is subsequently forgiven, and the income associated with the PPP loan forgiveness is excluded from federal gross income.

**Line 15 Business Interest Limitation**

North Carolina did not conform to the increased limit on deductions for business interest expense under IRC section 163(j) from 30% of a taxpayer’s adjusted taxable income to 50% of a taxpayer’s adjusted taxable income. An addition is required for the difference between the business interest deduction taken on the federal return and the amount allowed under the provisions of IRC section 163(j), as enacted as of January 1, 2020.

**Line 16 Above-the-line Qualified Charitable Contribution Deduction**

North Carolina did not adopt the addition of IRC section 62(a)(22), which allows a taxpayer who does not itemize federal deductions to deduct qualified charitable contributions as an adjustment in determining federal adjusted gross income, i.e. an “above-the-line” deduction. An addition is required for the amount of qualified charitable contributions deducted in calculating federal adjusted gross income under IRC section 62(a)(22).

**Line 17 Total Additions**

Add Lines 1 through 16. Enter the total on Line 17 and on Form D-400, Line 7. If an amount is entered on Line 17, Form D-400 Schedule S must be attached to Form D-400. If Form D-400 Schedule S is not attached to Form D-400, the Department may not be able to process the tax return.

**Part B - Deductions from Federal Adjusted Gross Income (Lines 18 through 34)**

**Line 18 State Income Tax Refund**

Enter the amount of any state or local income tax refund included in the taxpayer’s federal adjusted gross income.

**Line 19 Interest Income 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 20 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 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 21 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 tax should claim a deduction on Line 21 for the amount of excludable retirement benefits included in federal adjusted gross income. A copy of Form 1099-R or Form W-2 received from the payer must be attached to the return to support the deduction.

### **Line 22 Bonus Asset Basis**

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.

### **Line 23 Bonus Depreciation**

A taxpayer may deduct an amount equal to 20% of the bonus depreciation deduction added to federal adjusted gross income on their 2015, 2016, 2017, 2018, and 2019 state tax returns.

### **Line 24 IRC Section 179 Expense**

A taxpayer may deduct an amount equal to 20% of the IRC section 179 expense deduction added to federal adjusted gross income on their 2015, 2016, 2017, 2018, and 2019 state tax returns.

### **Line 25 Recognized IRC Section 1400Z-2 Gain**

A taxpayer may deduct a gain included in federal adjusted gross income under IRC section 1400Z-2 to the extent the same amount was included in the calculation of N.C. taxable income in a prior year.

### **Line 26 Gain From the Disposition of Exempt N.C. Obligations Issued Before July 1, 1995**

A taxpayer may deduct the gain from the sale or disposition of North Carolina obligations issued before July 1, 1995, from adjusted gross income if the law under which the obligations were issued specifically exempts the gain.



**Line 27 Exempt Income Earned or Received by a Member of a Federally Recognized Indian Tribe**

A taxpayer may deduct 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 a 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.

**Line 28 Amount by Which State Basis Exceeds Federal Basis for Property Disposed of in 2020**

The amount by which a taxpayer's basis of property for state purposes exceeds their basis of property for federal purposes must be deducted from federal adjusted gross income in the year that the taxpayer disposes of the property.

**Line 29 Ordinary and Necessary Business Expense Reduced or Not Allowed Due to Claiming a Federal Tax Credit in Lieu of a Deduction**

A taxpayer may deduct 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 the taxpayer claimed a federal tax credit in lieu of a deduction.

**Line 30 Personal Education Savings Account Deposits**

A taxpayer may deduct the amount deposited during the taxable year to a personal education savings account ("PESA") under Article 41 of Chapter 115C of the General Statutes **to the extent the deposit is included in calculating federal adjusted gross income.**

**Line 31 State Emergency Response and Disaster Relief Reserve Fund Payments**

A taxpayer may deduct the amount paid from the State Emergency Response and Disaster Relief Reserve Fund for hurricane relief assistance **to the extent this amount is included in federal adjusted gross income.** This amount does not include amounts paid from the State Emergency Response and Disaster Relief Fund for goods or services provided by a taxpayer.

**Line 32 Certain Economic Incentives**

A taxpayer may deduct the amount received as an economic incentive pursuant to G.S. 143B-437.012 or Part 2G or Part 2H of Article 10 of G.S. 143B **to the extent this amount is included in federal adjusted gross income.**

**Line 33 Extra Credit Grant**

A taxpayer may deduct the amount of the Extra Credit Grant payment received in tax year 2020 **to the extent the payment is included in federal adjusted gross income.**

**Line 34 Total Deductions**

Add Lines 18 through 22, 23f, 24f, and 25 through 33. Enter the total on Line 34 and on Form D-400, Line 9. If an amount is entered on Line 34, you must attach Form D-400 Schedule S must be attached to Form D-400. If you do not attach Form D-400 Schedule S to Form D-400, the Department may not be able to process the tax return.

**FORM D-400, SCHEDULE A  
N.C. ITEMIZED DEDUCTIONS**

North Carolina itemized deductions are not identical to federal itemized deductions. The items allowed in calculating North Carolina itemized deductions include: home mortgage interest, real estate property taxes, charitable contributions, medical and dental expenses, and repayment of claim of right income. These deductions are subject to certain North Carolina limitations. To determine the amount of N.C. itemized deductions, complete Lines 1 through 9 on Form D-400 Schedule A and attach to Form D-400.

**Line 1 Home Mortgage Interest**

Enter the amount allowed as a deduction for interest paid or accrued during tax year 2020 under section 163(h) of the Code with respect to any qualified residence, excluding mortgage insurance premiums.

**Line 2 Real Estate Property Taxes**

Enter the amount allowable as a deduction for property taxes paid or accrued on real estate under IRC section 164 for tax year 2020. A taxpayer that files a joint return, single return, or as head of household may not deduct more than \$10,000 of real estate property taxes while married taxpayers filing separately may not deduct more than \$5,000.

**Line 3 Home Mortgage Interest and Real Estate Property Taxes before Limitation**

Add Lines 1 and 2 and enter the result on Line 3.

**Line 4 Home Mortgage Interest and Real Estate Property Taxes Limitation**

Statutorily, the sum of qualified mortgage interest and real estate property taxes claimed may not exceed \$20,000. For spouses filing as married filing separately or married filing jointly, the total mortgage interest and real estate property taxes claimed by both spouses combined may not exceed \$20,000. 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 that taxable year.

**Line 5 Home Mortgage Interest and Real Estate Property after Limitation**

Compare Line 3 with Line 4 and enter the **smaller** amount.

**Line 6 Charitable Contributions**

North Carolina did not conform to the temporary modification of the charitable contribution limitation for taxpayers from a maximum of 60% of adjusted gross income (“AGI”) to 100% of AGI.

Enter the amount allowable as a deduction for charitable contributions under IRC section 170, as enacted as of January 1, 2020.

**Line 7a Medical and Dental Expense before Limitation**

Enter the amount allowable as a deduction for medical and dental expenses under IRC section 213 for tax year 2020. Importantly, do not include on Line 7a items that are not included in federal adjusted gross income. For example, do not include insurance premiums paid by a taxpayer’s employer.

**Line 7b Enter the Amount from Form D-400, Line 6**

If the amount of Line 6 is negative, fill in the circle next to the line to indicate the amount is negative.

**Line 7c Multiply Line 7b by 7.5% (0.075)**

If this amount is zero or less, enter a zero on Line 7c.

**Line 7d Medical and Dental Expenses after Limitation**

Subtract Line 7c from Line 7a. If Line 7c is more than Line 7a, enter a zero on Line 7d.

**Line 8 Repayment of Claim of Right Income**

A taxpayer may be entitled to a deduction for the repayment of income included in federal adjusted gross income in an earlier tax year because it appeared that they had an unrestricted right to such income, to the extent the repayment is not deducted in arriving at federal adjusted gross income in 2020. If the repayment is more than \$3,000, the deduction is the amount of the repayment. If a taxpayer claimed itemized deductions on their 2020 federal income tax return, enter the amount claimed on federal Schedule A, Line 16. If the repayment is \$3,000 or less, refer to the worksheet below to calculate the taxpayer’s deduction.

<b>Repayment of Claim of Right Worksheet</b>	
<b>Repayment of amounts under a claim of right if \$3,000 or less:</b>	
1. Enter the amount of claim of right income repaid during 2020. ....	1. _____
2. Enter amount from D-400 Line 6, federal adjusted gross income.....	2. _____
3. Multiply Line 2 by 2% (0.02) (If negative, enter the number zero).....	3. _____
4. Subtract Line 3 from Line 1. Enter amount on Form D-400, Schedule A, Line 8.....	4. _____

**Line 9 Total N.C. Itemized Deductions**

Add Lines 5, 6, 7d, and 8. This is the amount of North Carolina itemized deductions that a taxpayer may deduct on Form D-400, Line 11. If an amount is entered on Line 9, Form D-400 Schedule A must be attached to Form D-400. If Form D-400 Schedule A is not attached to Form D-400, the Department may not be able to process the tax return.

**FORM D-400, SCHEDULE PN  
PART-YEAR RESIDENT AND  
NONRESIDENT SCHEDULE**

If the taxpayer or their spouse, if married filing jointly, were not full-year residents of North Carolina during tax year 2020, the taxpayer must complete Form D-400 Schedule PN to determine the percentage of federal gross income, as adjusted, that is subject to North Carolina income tax. A taxpayer is a “**part-year resident**” if they moved to North Carolina and became a resident during the tax year, or they moved out of North Carolina and became a resident of another state during the tax year. A taxpayer is a “**nonresident**” if they were not a resident of North Carolina at any time during the tax year.

Form D-400 Schedule PN contains three Parts: Part A, Residency Status; Part B, Allocation of Income for Part-Year Residents and Nonresidents; and Part C, Part-Year Residents and Nonresidents Taxable Percentage.

**Part A – Residency Status**

The taxpayer and/or spouse, if married filing jointly, must fill in the applicable circle(s) indicating their residency status for tax year 2020. Part-year residents must also enter the dates of North Carolina residency in the boxes provided.

**Part B – Allocation of Income for Part-Year Residents and Nonresidents**

**Lines 1 through 15**

In Column A, Lines 1 through 15, enter the income a taxpayer received from all sources during tax year 2020. If married filing jointly, a taxpayer must include the total income from all sources of both spouses, even if only one spouse is a resident. In Column B, enter the amount of Column A received from North Carolina sources or income received while the taxpayer was a resident of North Carolina.

**Line 16 Total Income**

For Column A and Column B, add Lines 1 through 15. Enter the total of each column on Line 16.

**Lines 17a through 17e North Carolina Additions to Federal Adjusted Gross Income**

In Column A, enter the amounts entered on Form D-400 Schedule S, Part A, that relate to gross income. In Column B, enter the amount of Column A that is applicable to North Carolina. **Important:** Lines 17a through 17d specifically list North Carolina adjustments that are required to be added back to the taxpayer’s federal adjusted gross income (“AGI”), when applicable. Line 17e is a total of several state adjustments specifically listed on Form D-400 Schedule PN-1. Before making an entry on Line 17e, review Part A of Form D-400 Schedule PN-1 to determine if a taxpayer is required to make additional N.C. adjustments that relate to gross income.

Example: If a taxpayer received interest income from obligations of a state other than N.C. of \$1,200 evenly during the year and became a North Carolina resident on July 1, the taxpayer should enter \$1,200 on Line 17a of Column A and \$600 on Line 17a of Column B.

**Line 18 Total Additions**

For Column A and Column B, add Lines 17a through 17e. Enter the total of each column on Line 18.

## **Line 19a through 19h North Carolina Deductions from Federal Adjusted Gross Income**

In Column A, enter the amounts entered on Form D-400 Schedule S, Part B, that relate to gross income. In Column B, enter the amount of Column A that is applicable to North Carolina. **Important:** Lines 19a through 19g specifically list North Carolina adjustments that may be deducted from the taxpayer's federal adjusted gross income ("AGI"), when applicable. Line 19h is a total of several adjustments specifically listed on Form D-400 Schedule PN-1. Before making an entry on Line 19h, review Part B of Form D-400 Schedule PN-1, to determine if a taxpayer is allowed to make additional N.C. adjustments that relate to gross income.

### **Line 20 Total Deductions**

For Column A and Column B, add Lines 19a through 19h. Enter the total of each column on Line 20.

### **Line 21 Total Income Modified by N.C. Adjustments**

For Column A and Column B, add Line 16 plus Line 18 minus Line 20.

## **Part C – Part-Year Residents and Nonresidents Taxable Percentage**

### **Line 22**

Enter the amount from Column B, Line 21. If the amount on Line 22 is negative, fill in the circle next to the Line to indicate the amount is negative.

### **Line 23**

Enter the amount from Column A, Line 21. If the amount on Line 23 is negative, fill in the circle next to the Line to indicate the amount is negative.

### **Line 24 Part-year residents and nonresidents taxable percentage**

Divide Line 22 by Line 23. This is the percentage of the taxpayer's federal adjusted gross income, as adjusted, that is subject to North Carolina income tax. The resulting percentage may be greater than 100%. Enter the result as a decimal amount; round to four decimal places on Form D-400, Line 13.

**Important: If an amount is entered on Form D-400, Line 13, the taxpayer must attach Form D-400, Schedule PN to Form D-400. Otherwise, the Department may be unable to process the tax return.**

**FORM D-400, SCHEDULE PN-1  
OTHER ADDITIONS AND OTHER  
DEDUCTIONS**

If the taxpayer or their spouse, if married filing jointly, are required to file Form D-400 Schedule PN, the taxpayer must review Form D-400 Schedule PN-1 to determine if they need to report North Carolina adjustments that relate to gross income that were not specifically listed on Form D-400 Schedule PN. North Carolina adjustments that relate to gross income for tax year 2020 that do not have a designated line on Form D-400 Schedule PN for tax year 2020 are listed on Form D-400 Schedule PN-1 for tax year 2020.

**Part A – Other Additions to Federal Adjusted Gross Income That Relate to Gross Income**

**Line 1 through Line 10**

In Column A, enter the amount entered on Form D-400 Schedule S, Part A. In Column B, enter the amount of Column A that is applicable to North Carolina.

**Line 11 Total Other Additions**

For Column A and Column B, add Lines 1 through 10. Enter the total of Column A on Line 11 and on Form D-400 Schedule PN, Column A, Line 17e. Enter the total of Column B on Line 11 and Form D-400 Schedule PN, Column B, Line 17e.

**Part B – Other Deductions From Federal Adjusted Gross Income That Relate to Gross Income**

**Line 12 through Line 20**

In Column A, enter the amount entered on Form D-400 Schedule S, Part B. In Column B, enter the amount of Column A that is applicable to North Carolina.

**Line 21 Total Other Deductions**

For Column A and Column B, add Lines 12 through 20. Enter the total of Column A on Line 21 and on Form D-400 Schedule PN, Column A, Line 19h. Enter the total of Column B on Line 21 and on Form D-400 Schedule PN, Column B, Line 19h.

**Important: If an amount is entered on Form D-400, Schedule PN, Line 17e or Line 19h, the taxpayer must attach Form D-400, Schedule PN-1 to Form D-400. Otherwise, the Department may be unable to process the tax return. Failure to substantiate a tax deduction may result in the disallowance of the deduction.**

**FORM D-400TC,  
INDIVIDUAL INCOME TAX  
CREDITS**

Form D-400TC and, if applicable, Form NC-478, and Form NC-Rehab must be filed for any taxable year in which a taxpayer is eligible to claim a tax credit or an installment of a tax credit against their tax liability. This requirement applies even if your tax liability is not large enough for you to benefit from the credit.

**Part 1**      **Credit for Income Tax Paid to Another State or Country - North Carolina Residents Only (Lines 1 through 7b)**

When income is taxed by North Carolina for a period during which a taxpayer was 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. **Important:** No credit is allowed for income taxes paid to a city, county, or other political subdivision of a state or country or to the federal government. **Nonresidents are not entitled to this tax credit.**

North Carolina residents complete Form D-400 and include all income both within and outside the state. Compute North Carolina income tax as though no credit is to be claimed. Then, complete Part 1 of Form D-400TC to determine the amount of allowable tax credit. **Note:** If a taxpayer wishes to claim a tax credit for taxes paid to more than one state or country, do not complete Lines 1 through 6. Instead, use the “Out-of-State Tax Credit Worksheet” on page 23 of the individual income tax instruction booklet to determine the amount of allowable tax credit for each state or country.

**Line 1**      **Total Income from All Sources while a Resident of N.C. Modified by N.C. Adjustments to Federal Adjusted Gross Income**

Enter on Line 1 the total amount of income from all sources the taxpayer received while a resident of North Carolina, adjusted by the applicable additions and deductions to federal adjusted gross income that relate to gross income that were listed on Form D-400 Schedule S, Parts A and B. **Important:** If the amount of Line 1 is negative, enter the amount and fill in the circle located next to Line 1 to indicate the amount is negative.

**Example:** Mr. B’s total income from Federal Form 1040, Line 9, is \$48,000. Mr. B earned \$36,000 of the \$48,000 while a resident of North Carolina. The North Carolina adjustments are as follows: state income tax refund of \$300 and interest from U.S. Savings Bond of \$200. In this example, the amount to enter on Line 1 of Form D-400TC is \$35,500 (\$36,000 - \$300 -\$200).

**Line 2**      **Portion of Line 1 that was Taxed by Another State or Country**

Enter on Line 2 the portion of total income from all sources that the taxpayer received while a resident of North Carolina, adjusted by the applicable additions and deductions to federal adjusted gross income that relate to gross income (from Line 1, above), that was taxed by another state or country. Include on Line 2 the taxpayer’s 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.

**Line 3**      **Percentage**

This line is the percentage of income taxed by North Carolina which was also taxed by another state or country. The amount is calculated by dividing Line 2 by Line 1. The result is rounded to four decimal places.

**Line 4 Total North Carolina Income Tax**

Enter the amount from Form D-400, Line 15.

**Line 5 Computed Credit**

Multiply Line 4 by Line 3.

**Line 6 Amount of Net Tax Paid to the Other State or Country on the Income Shown on Line 2**

Enter on Line 6 only the amount of **net tax paid** to another state or country on the income shown on Line 2. The amount of **net tax paid** is any prepayment of tax (tax withheld, estimated tax payments, amount paid with an extension, etc.) plus any additional tax paid **less any refunds** received or expected to be received. Include on Line 6 the net tax paid to another state on the taxpayer’s share of S Corporation income or their 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 showing the total amount of tax paid to the other state by the S Corporation, and how the taxpayer’s pro rata share of the tax was determined. **Important:** A taxpayer must attach a copy of the tax return filed with the other state or country and a copy of the their check, receipt or other proof showing payment of income tax paid to the other state or country.

**Line 7a Credit for Income Tax Paid to Another State or Country**

Enter the lesser of Line 5 or Line 6. This is the amount of tax credit for income tax paid to another state or country.

**Line 7b**

Enter the number of states or countries for which a credit is claimed.

<b>Out-of-State Tax Credit Worksheet</b>	
<i>(Use a separate worksheet to determine the separate credit for each state or country.)</i>	
1. <b>Total income (loss) from all sources while a resident of N.C.</b> modified by N.C. adjustments to federal 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 <i>(Round to four decimal places)</i> .....	3. _____
4. Enter total North Carolina income tax <i>(From Form D-400, Line 15)</i> .....	4. _____
5. Multiply Line 4 by Line 3.....	5. _____
6. Amount of net tax paid to the other state or country on the income shown on Line 2 <i>(See above for definition of net tax paid.)</i> .....	6. _____
7. Enter the lesser of Line 5 or Line 6. To determine the total amount of credit for income tax paid to another state or country, add the amount of Line 7 on each worksheet and enter the total on Form D-400TC, Line 7a. <b>On Line 7b, be sure to enter the number of states or countries for which a credit is claimed.</b> .....	7. _____



## **Part 2 Credits for Rehabilitating Historic Structures**

### **Line 8 Credit for an Income-Producing Historic Structure (Article 3D)**

See page 23 of the individual income tax instruction booklet.

### **Line 9 Credit for a Nonincome-Producing Historic Structure (Article 3D)**

See page 23 of the individual income tax instruction booklet.

### **Line 10 Credit for an Income-Producing Historic Mill Facility (Article 3H)**

See page 23 of the individual income tax instruction booklet.

### **Line 11 Credit for a Nonincome-Producing Historic Mill Facility (Article 3H)**

See page 23 of the individual income tax instruction booklet.

### **Line 12 Credit for an Income-Producing Historic Structure (Article 3L)**

(From Line 19 of *Form NC-Rehab*, Part 4)

See page 24 of the individual income tax instruction booklet.

### **Line 13 Credit for a Nonincome-Producing Historic Structure (Article 3L)**

(From Line 22 of *Form NC-Rehab*, Part 4)

See page 24 of the individual income tax instruction booklet.

## **Part 3 Computation of Total Tax Credits to be Taken for Tax Year 2020**

### **Line 14 Tax Credits carried over from previous years**

Do not include any carryover of income tax credits taken on Form NC-478 or Form NC-Rehab.

### **Line 15 Total**

Add Lines 7a, 8b, 9b, 10b, 11b, 12, 13, and 14.

### **Line 16 North Carolina income tax**

Enter the amount from Form D-400, Line 15.

**Line 17** Enter the lesser of Line 15 or Line 16.

### **Line 18 Business Incentive and Energy Tax Credits**

Attach Form NC-478 and any required supporting schedules to the front of Form D-400. See page 24 of the individual income tax instruction booklet.

### **Line 19 Total Tax Credits to be Taken for Tax Year 2020**

Add Lines 17 and 18. Enter the result here and on Form D-400, Line 16. **The amount on Line 19 cannot exceed the tax shown on Form D-400, Line 15.**

**Important:** If a tax credit is claimed on Form D-400, Line 16, the taxpayer must attach Form D-400TC to Form D-400. Otherwise, the Department may be unable to process the tax return. Failure to substantiate a tax credit may result in the disallowance of that credit. For more information on tax credits, you may visit the Department's website at [www.ncdor.gov](http://www.ncdor.gov).

**NORTH CAROLINA DEPARTMENT OF REVENUE  
IMPORTANT TELEPHONE NUMBERS**

Automated Refund Inquiry Line.....1-877-252-4052  
(Please allow at least 12 weeks before calling.)

Taxpayer Assistance and Forms .....1-877-252-3052

Tax Fraud Hotline (8:00 a.m. to 5:00 p.m., Monday through Friday)

    Toll Free.....1-800-232-4939

    Wake County .....1-919-707-7597

**Department of Revenue Website.....[www.ncdor.gov](http://www.ncdor.gov)**







# D-400 Schedule S 2020 Supplemental Schedule

DOR  
Use  
Only

If you are required to add certain items to Adjusted Gross Income on Form D-400, Line 7, or if you are entitled to take deductions from Adjusted Gross Income on Form D-400, Line 9, you must complete and attach this schedule to Form D-400. If you do not, the Department may be unable to process your return.

Last Name (First 10 Characters)  
[ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ]

Do not send a photocopy of this form.  
The original form is printed in pink and black ink.  
Print in Black or Blue Ink Only. No Pencil or Red Ink.

Your Social Security Number  
[ ][ ][ ] - [ ][ ] - [ ][ ][ ][ ]

Important: Refer to the Instructions before completing Parts A and B of this form.

## Part A. Additions to Federal Adjusted Gross Income

Enter Whole U.S. Dollars Only

- |  |       |                              |     |
|--|-------|------------------------------|-----|
| 1. Interest Income From Obligations of States Other Than North Carolina                              | ▶ 1.  | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 2. Deferred Gains Reinvested Into an Opportunity Fund Under IRC Section 1400Z-2                      | ▶ 2.  | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 3. Bonus Depreciation  | ▶ 3.  | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 4. IRC Section 179 Expense   | ▶ 4.  | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 5. S-Corporation Shareholder Built-in Gains Tax  | ▶ 5.  | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 6. Amount by Which Federal Basis Exceeds State Basis for Property Disposed of in 2020                | ▶ 6.  | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 7. Unabsorbed Net Operating Loss Deduction   | ▶ 7.  | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 8. Excess Net Operating Loss Carryforward Deduction  | ▶ 8.  | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 9. Withdrawal of 529 Plan Contributions not Used for Permissible Purpose                             | ▶ 9.  | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 10. Discharge of Qualified Principal Residence Indebtedness  | ▶ 10. | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 11. Qualified Tuition and Related Expenses   | ▶ 11. | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 12. Excess Business Loss   | ▶ 12. | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 13. Qualified Education Loan Payments by Employer  | ▶ 13. | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 14. Expenses Deducted Under a Forgiven PPP Loan  | ▶ 14. | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 15. Business Interest Limitation   | ▶ 15. | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 16. Above-the-line Qualified Charitable Contribution Deduction                                       | ▶ 16. | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |
| 17. <b>Total Additions</b> - Add Lines 1 through 16 (Enter the total here and on Form D-400, Line 7) | ▶ 17. | [ ][ ], [ ][ ][ ], [ ][ ][ ] | .00 |



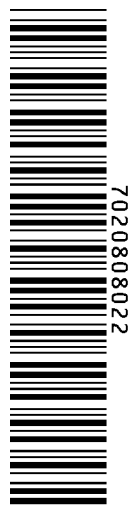
10 digit name input boxes

9 digit SSN input boxes

Part B. Deductions From Federal Adjusted Gross Income (Only deduct items that are included in federal adjusted gross income)

Enter Whole U.S. Dollars Only

Main table with 34 rows of deduction items and input fields. Includes sub-rows for Bonus Depreciation (23a-e) and IRC Section 179 Expense (24a-e). Total lines 23f and 24f are also present.





# D-400 Schedule A 2020 N.C. Itemized Deductions

DOR  
Use  
Only

If you choose to itemize North Carolina deductions on Form D-400, Line 11, you must attach this schedule to Form D-400. If you do not, the Department may be unable to process your return.

Last Name (First 10 Characters)

**Do not send a photocopy of this form.**  
The original form is printed in pink and black ink.  
Print in Black or Blue Ink Only. No Pencil or Red Ink.

Your Social Security Number

## N.C. Standard Deduction or N.C. Itemized Deductions

You may deduct from federal adjusted gross income either the N.C. standard deduction or N.C. itemized deductions. You can determine the amount of your N.C. standard deduction by looking at the chart below. If you claim the N.C. standard deduction, **do not** complete Lines 1 through 9. Instead, enter the amount of the N.C. standard deduction on Form D-400, Line 11.

### N.C. Standard Deduction

(In general, the N.C. standard deduction is equal to the amount listed below based on your filing status. However, if you are not eligible for a standard deduction on the federal income tax return, your N.C. standard deduction amount is zero. For more information on eligibility, see the instructions.)

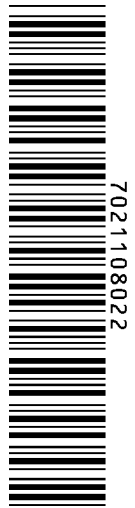
**If your filing status is:**

- Single
- Head of household
- Married filing jointly
- Qualifying widow(er)/Surviving Spouse
- Married filing separately:
  - If your spouse does not claim itemized deductions
  - If your spouse claims itemized deductions

**Your N.C. standard deduction is:**

\$ 10,750  
 \$ 16,125  
 \$ 21,500  
 \$ 21,500  
 \$ 10,750  
 \$ 0

**If you are not eligible for a standard deduction on your federal tax return** \$ 0



1. Home Mortgage Interest (See instructions)	▶	1.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
2. Real Estate Property Taxes	▶	2.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
3. Home Mortgage Interest and Real Estate Property Taxes Before Limitation (Add Lines 1 and 2)		3.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
4. Home Mortgage Interest and Real Estate Property Taxes Limitation		4.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
5. Home Mortgage Interest and Real Estate Property Taxes After Limitation (Compare Line 3 to Line 4; enter whichever is less.)	▶	5.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
6. Charitable Contributions (See instructions)	▶	6.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
7. a. Medical and Dental Expenses Before Limitation (See instructions)	▶	7a.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
b. Enter the amount from Form D-400, Line 6. If the amount is negative, fill in the circle.		7b.	<input checked="" type="radio"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
c. Multiply Line 7b by 7.5% (0.075). If zero or less, enter a zero.		7c.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
d. Medical and Dental Expenses After Limitation (Subtract Line 7c from Line 7a. If Line 7c is more than Line 7a, enter a zero.)	▶	7d.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
8. Repayment of Claim of Right Income	▶	8.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
9. <b>Total N.C. Itemized Deductions</b> (Add Lines 5, 6, 7d, and 8. Enter the total here and on Form D-400, Line 11.)		9.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00



# D-400 Schedule PN 2020 Part-Year Resident and Nonresident Schedule

DOR  
Use  
Only

If you enter a taxable percentage on Form D-400, Line 13 because you or your spouse, if married filing jointly, were not full-year residents of North Carolina during tax year 2020, you must attach this schedule to Form D-400. If you do not, the Department may be unable to process your return.

Last Name (First 10 Characters)

**Do not send a photocopy of this form.**  
The original form is printed in pink and black ink.  
Print in Black or Blue Ink Only. No Pencil or Red Ink.

Your Social Security Number

A part-year resident or a nonresident who receives income from N.C. sources must complete this form to determine the percentage of total income from all sources that is subject to N.C. tax. You are a "part-year resident" if you moved to N.C. and became a resident during the tax year, or you moved out of N.C. and became a resident of another state during the tax year. You are a "nonresident" if you were not a resident of N.C. at any time during the tax year.

**Important: Refer to the instructions before completing this form.**

## Part A. Residency Status

**Taxpayer is:** (Fill in applicable circle)

Full-Year Resident     Nonresident     Part-Year Resident

Date N.C. residency began

(MM-DD-YY)

Date N.C. residency ended

(MM-DD-YY)

**Spouse is:** (Fill in applicable circle)

Full-Year Resident     Nonresident     Part-Year Resident

Date N.C. residency began

(MM-DD-YY)

Date N.C. residency ended

(MM-DD-YY)

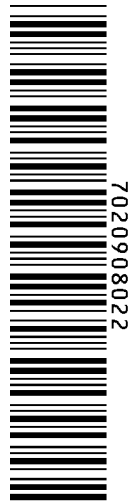
If you and your spouse were both full-year residents of N.C., **stop here**; do not complete Parts B and C. Do not attach Schedule PN to Form D-400.

## Part B. Allocation of Income for Part-Year Residents and Nonresidents

### Total Income

1. Wages, Salaries, Tips, Etc.
2. Taxable Interest
3. Taxable Dividends
4. Taxable Refunds, Credits, or Offsets of State and Local Income Taxes
5. Alimony Received
6. Business Income or (Loss)
7. Capital Gain or (Loss)
8. Other Gains or (Losses)
9. Taxable Amount of IRA Distributions
10. Taxable Amount of Pensions and Annuities
11. Rental Real Estate, Royalties, Partnerships, S-Corps, Estates, Trusts, Etc.
12. Farm Income or (Loss)
13. Unemployment Compensation
14. Taxable Amount of Social Security Benefits or Railroad Retirement Benefit
15. Other Income
16. **Total Income** (Add Lines 1 through 15)

If amount on Lines 1 through 21 is negative, place amount in brackets.  
Example: (999,999)



### COLUMN A

Total Income from all sources

### COLUMN B

Amount of Column A subject to N.C. tax

	COLUMN A	COLUMN B
	Total Income from all sources	Amount of Column A subject to N.C. tax
1.	<input type="text"/> .00	<input type="text"/> .00
2.	<input type="text"/> .00	<input type="text"/> .00
3.	<input type="text"/> .00	<input type="text"/> .00
4.	<input type="text"/> .00	<input type="text"/> .00
5.	<input type="text"/> .00	<input type="text"/> .00
6.	<input type="text"/> .00	<input type="text"/> .00
7.	<input type="text"/> .00	<input type="text"/> .00
8.	<input type="text"/> .00	<input type="text"/> .00
9.	<input type="text"/> .00	<input type="text"/> .00
10.	<input type="text"/> .00	<input type="text"/> .00
11.	<input type="text"/> .00	<input type="text"/> .00
12.	<input type="text"/> .00	<input type="text"/> .00
13.	<input type="text"/> .00	<input type="text"/> .00
14.	<input type="text"/> .00	<input type="text"/> .00
15.	<input type="text"/> .00	<input type="text"/> .00
16.	<input type="text"/> .00	<input type="text"/> .00

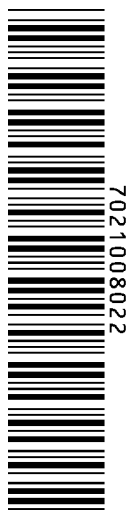


□□□□□□□□□□

□□□-□□-□□□□

**Part B. Allocation of Income for Part-Year Residents and Nonresidents** (continued)

North Carolina Adjustments		COLUMN A	COLUMN B
		Enter the amount from Form D-400 Schedule S	Amount of Column A subject to N.C. tax
<b>17. Additions:</b>			
a. Interest Income From Obligations of States Other Than N.C.	17a.	<input type="text"/> .00	<input type="text"/> .00
b. Deferred Gains Reinvested Into an Opportunity Fund Under IRC Section 1400Z-2	17b.	<input type="text"/> .00	<input type="text"/> .00
c. Bonus Depreciation	17c.	<input type="text"/> .00	<input type="text"/> .00
d. IRC Section 179 Expense	17d.	<input type="text"/> .00	<input type="text"/> .00
e. Other Additions to Federal Adjusted Gross Income That Relate to Gross Income (From Form D-400 Schedule PN-1, Part A, Line 11. See instructions.)	17e.	<input type="text"/> .00	<input type="text"/> .00
<b>18. Total Additions</b> (Add Lines 17a through 17e)	18.	<input type="text"/> .00	<input type="text"/> .00
<b>19. Deductions:</b>			
a. State or Local Income Tax Refund	19a.	<input type="text"/> .00	<input type="text"/> .00
b. Interest From Obligations of the United States or United States' Possessions	19b.	<input type="text"/> .00	<input type="text"/> .00
c. Taxable Portion of Social Security or Railroad Retirement Benefits	19c.	<input type="text"/> .00	<input type="text"/> .00
d. Bailey Retirement Benefits	19d.	<input type="text"/> .00	<input type="text"/> .00
e. Bonus Depreciation	19e.	<input type="text"/> .00	<input type="text"/> .00
f. IRC Section 179 Expense	19f.	<input type="text"/> .00	<input type="text"/> .00
g. Recognized IRC Section 1400Z-2 Gain	19g.	<input type="text"/> .00	<input type="text"/> .00
h. Other Deductions From Federal Adjusted Gross Income That Relate to Gross Income (From Form D-400 Schedule PN-1, Part B, Line 21. See instructions.)	19h.	<input type="text"/> .00	<input type="text"/> .00
<b>20. Total Deductions</b> (Add Lines 19a through 19h)	20.	<input type="text"/> .00	<input type="text"/> .00
<b>21. Total Income Modified by N.C. Adjustments</b> (Line 16 plus Line 18 minus Line 20)	21.	<input type="text"/> .00	<input type="text"/> .00



**Part C. Part-Year Residents and Nonresidents Taxable Percentage**

<b>22.</b> Enter the Amount From <b>Column B, Line 21</b>	<p>If amount on Line 22 or 23 is negative, fill in circle.</p> <p>Example: ●</p>	▶ 22. <input type="radio"/> <input type="text"/> .00
<b>23.</b> Enter the Amount From <b>Column A, Line 21</b>		▶ 23. <input type="radio"/> <input type="text"/> .00
<b>24. Part-Year Residents and Nonresidents Taxable Percentage</b> (Divide Line 22 by Line 23) Enter the result as a decimal amount here and on Form D-400, Line 13.		24. <input type="text"/> .



# D-400 Schedule PN-1

## 2020 Other Additions and Other Deductions

If you enter an amount on Form D-400 Schedule PN, Part B, Line 17e or Line 19h, you must attach this schedule to Form D-400.

Last Name (First 10 Characters)

**Important:**  
Refer to the Instructions before  
completing this worksheet.

Your Social Security Number

### Part A. Other Additions to Federal Adjusted Gross Income That Relate to Gross Income (From 2020 Form D-400 Schedule S, Part A)

		COLUMN A		COLUMN B	
		Enter the amount from Form D-400 Schedule S		Amount of Column A subject to N.C. tax	
1. S-Corporation Shareholder Built-in Gains Tax	1.	<input type="text"/>	.00	<input type="text"/>	.00
2. Amount by Which Federal Basis Exceeds State Basis for Property Disposed of in 2020	2.	<input type="text"/>	.00	<input type="text"/>	.00
3. Unabsorbed Net Operating Loss Deduction	3.	<input type="text"/>	.00	<input type="text"/>	.00
4. Excess Net Operating Loss Carryforward Deduction	4.	<input type="text"/>	.00	<input type="text"/>	.00
5. Withdrawal of 529 Plan Contributions not Used for Permissible Purpose	5.	<input type="text"/>	.00	<input type="text"/>	.00
6. Discharge of Qualified Principal Residence Indebtedness	6.	<input type="text"/>	.00	<input type="text"/>	.00
7. Excess Business Loss	7.	<input type="text"/>	.00	<input type="text"/>	.00
8. Qualified Education Loan Payments by Employer	8.	<input type="text"/>	.00	<input type="text"/>	.00
9. Expenses Deducted Under a Forgiven PPP Loan	9.	<input type="text"/>	.00	<input type="text"/>	.00
10. Business Interest Limitation	10.	<input type="text"/>	.00	<input type="text"/>	.00
11. <b>Total Other Additions</b> (Add lines 1 through 10) Enter the total here and on Form D-400 Schedule PN, Line 17e.	11.	<input type="text"/>	.00	<input type="text"/>	.00

### Part B. Other Deductions From Federal Adjusted Gross Income That Relate to Gross Income (From 2020 Form D-400 Schedule S, Part B)

12. Bonus Asset Basis	12.	<input type="text"/>	.00	<input type="text"/>	.00
13. Gain From the Disposition of Exempt N.C. Obligations Issued Before July 1, 1995	13.	<input type="text"/>	.00	<input type="text"/>	.00
14. Exempt Income Earned or Received by a Member of a Federally Recognized Indian Tribe	14.	<input type="text"/>	.00	<input type="text"/>	.00
15. Amount by Which State Basis Exceeds Federal Basis for Property Disposed of in 2020	15.	<input type="text"/>	.00	<input type="text"/>	.00
16. Ordinary and Necessary Business Expense Reduced or not Allowed Due to Claiming a Federal Tax Credit in Lieu of a Deduction	16.	<input type="text"/>	.00	<input type="text"/>	.00
17. Personal Education Savings Account Deposits	17.	<input type="text"/>	.00	<input type="text"/>	.00
18. State Emergency Response and Disaster Relief Reserve Fund Payments	18.	<input type="text"/>	.00	<input type="text"/>	.00
19. Certain Economic Incentives	19.	<input type="text"/>	.00	<input type="text"/>	.00
20. Extra Credit Grant	20.	<input type="text"/>	.00	<input type="text"/>	.00
21. <b>Total Other Deductions</b> (Add lines 12 through 20) Enter the total here and on Form D-400 Schedule PN, Line 19h.	21.	<input type="text"/>	.00	<input type="text"/>	.00



# D-400TC 2020 Individual Income Tax Credits

DOR  
Use  
Only

If you claim a tax credit on Form D-400, Line 16, you must attach this form to the return. Otherwise, the tax credit may be disallowed.

Last Name (First 10 Characters)

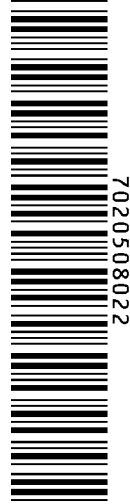
**Do not send a photocopy of this form.**  
**The original form is printed in pink and black ink.**  
**Print in Black or Blue Ink Only. No Pencil or Red Ink.**

Your Social Security Number

**Important: Refer to the Instructions before completing this form.**

## Part 1. Credit for Income Tax Paid to Another State or Country – N.C. Residents Only

If you claim a tax credit for taxes paid to more than one state or country, do not complete Lines 1-6. Instead, complete the "Out-of-State Tax Credit Worksheet" in the instructions to determine the amount to enter on Line 7a.



Enter Whole U.S. Dollars Only

- 1. Total income from all sources while a resident of N.C. modified by N.C. adjustments to federal gross income (If Line 1 is negative, fill in circle.) ▶  1.  ,  ,  .00
- 2. Portion of Line 1 that was taxed by another state or country ▶ 2.  ,  ,  .00
- 3. Divide Line 2 by Line 1 and enter the result as a decimal amount (Round to four decimal places) ▶ 3.  .
- 4. Total North Carolina income tax (From Form D-400, Line 15) ▶ 4.  ,  ,  .00
- 5. Multiply Line 4 by Line 3 ▶ 5.  ,  ,  .00
- 6. Amount of net tax paid to the other state or country on the income shown on Line 2 ▶ 6.  ,  ,  .00
- 7a. Credit for Income Tax Paid to Another State or Country Enter the lesser of Line 5 or Line 6 ▶ 7a.  ,  ,  .00
- 7b. Enter the number of states or countries for which a credit is claimed ▶ 7b.

## Part 2. Credits for Rehabilitating Historic Structures

Enter expenditures and expenses on Lines 8a, 9a, 10a, and 11a only in the first year the credit is taken. For Lines 8a and 9a, the expenditures and expenses must have been incurred prior to January 1, 2015. For Lines 10a and 11a, an eligibility certification must have been submitted to the State Historic Preservation Office prior to January 1, 2015. Enter the installment amount of the tax credit on Lines 8b, 9b, and 11b, and the total amount of the tax credit on 10b.

- 8. An income-producing historic structure (Article 3D) ▶ 8a.  ,  ,  .00 ▶ 8b.  ,  ,  .00
- 9. A nonincome-producing historic structure (Article 3D) ▶ 9a.  ,  ,  .00 ▶ 9b.  ,  ,  .00
- 10. An income-producing historic mill facility (Article 3H) ▶ 10a.  ,  ,  .00 ▶ 10b.  ,  ,  .00
- 11. A nonincome-producing historic mill facility (Article 3H) ▶ 11a.  ,  ,  .00 ▶ 11b.  ,  ,  .00
- 12. An income-producing historic structure (Article 3L) (From Line 19 of Form NC-Rehab, Part 4) ▶ 12.  ,  ,  .00
- 13. A nonincome-producing historic structure (Article 3L) (From Line 22 of Form NC-Rehab, Part 4) ▶ 13.  ,  ,  .00

If you take a credit on Lines 12 or 13, attach Form NC-Rehab to the front of Form D-400.

## Part 3. Computation of Total Tax Credits to be Taken for Tax Year 2020

- 14. Tax credits carried over from previous years (Do not include any carryover of income tax credits taken on Form NC-478 or Form NC-Rehab.) ▶ 14.  ,  ,  .00
- 15. Add Lines 7a, 8b, 9b, 10b, 11b, 12, 13, and 14 ▶ 15.  ,  ,  .00
- 16. North Carolina income tax (From Form D-400, Line 15) ▶ 16.  ,  ,  .00
- 17. Enter the lesser of Line 15 or Line 16 ▶ 17.  ,  ,  .00
- 18. Business incentive and energy tax credits (Attach Form NC-478 and any required supporting schedules to the front of Form D-400) ▶ 18.  ,  ,  .00
- 19. Total Tax Credits to be Taken for Tax Year 2020 (Add Lines 17 and 18. Enter the result here and on Form D-400, Line 16.) The amount on Line 19 cannot exceed the tax shown on Form D-400, Line 15. ▶ 19.  ,  ,  .00



**Form D-410 (Reverse)**

**Interest** - You will owe interest on tax not paid by the original due date of the return. Even if you had a good reason not to pay on time, you will still owe interest.

**Late Payment Penalty** - The late payment penalty is 10 percent of the tax not paid by the due date of the return. The penalty will apply on any 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 expiration of the extension period to avoid the late payment penalty.

**Late Filing Penalty** - A penalty is usually charged if your return is filed after the due date (including extensions). It 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.

**How To Claim Credit For Payments Made With This Form** - When you file your return, include the amount paid with this extension on Line 21b of Form D-400. If you and your spouse each file a separate Form D-410, but file a joint return for the taxable year, enter the total paid with the two Forms D-410 on Line 21b of your return.

If you and your spouse jointly filed Form D-410, but file separate returns for the taxable year, you may enter the total amount paid with Form D-410 on either of your separate returns. Or, you and your spouse may

divide the payment in any agreed amounts. Be sure each separate return has the social security numbers of both spouses.

**Specific Instructions**

**Name, Address, and Social Security Numbers** - Enter your name, address, and social security number and your spouse's name and social security number if filing a joint return.

**Line 1** - Enter on this line the amount you expect to enter on Line 15 of Form D-400. If you do not expect to owe tax, enter the number zero.

**Line 2** - Enter on this line any North Carolina income tax withheld, estimated tax payments (including any overpayment applied from the previous year), and any other payments and credits you expect to show on your return.

**Out of the Country** - If you were a U. S. citizen or resident and were out of the country on the due date of your return, you are granted an automatic 4-month extension to file your return. You do not have to file this form on April 15. Instead, fill in the "Out of the Country" circle on page 1 of Form D-400 to indicate you were out of the country on April 15. If you need an additional two months to file your return, fill in the circle located at the bottom right of this form and file the form on or before August 15. For this purpose, "Out of the Country" means either (1) you live outside the United States and Puerto Rico, AND your main place of work is outside the United States and Puerto Rico, or (2) you are in military or naval service outside the United States and Puerto Rico.

**Important:** Do not use this form to request extensions of time for filing partnership, estate, trust, corporate income, or franchise tax returns.

## Test Question #1

### Facts:

Mary B. Brown (SSN 000-00-0004) is divorced and lives at 101 Maple Street, Hometown, North Carolina 29999. This is in Edgecombe County. She has one daughter, Sally Brown (SSN 333-33-3333) who is 4 years old and lived with her for the entire 2020 tax year.

Ms. Brown was granted an automatic extension to file her 2020 federal income tax return. Once she filed her 2020 federal income tax return, she claimed head of household as her filing status and also claimed a federal child tax credit for Sally. Ms. Brown worked at Grocery Bag Food Mart and earned wages in the amount of \$23,425.00. She had \$403.00 withheld in North Carolina state income tax from her wages. In addition, she received interest income in the amount of \$50.00 from Wells Fargo Bank.

Ms. Brown claimed the standard deduction on her federal income tax return and also claimed the North Carolina standard deduction for tax year 2020. Her federal adjusted gross income reported on Form 1040, Line 11 was \$23,475.00. In addition, Ms. Brown did not make any out-of-state purchases during the 2020 tax year.

Ms. Brown wants to contribute \$10.00 of her North Carolina state tax refund to the North Carolina Breast and Cervical Cancer Control Program.

Please complete Ms. Brown's 2020 North Carolina individual income tax return.

Form **1040**

Department of the Treasury—Internal Revenue Service (99)  
**U.S. Individual Income Tax Return**

**2020**

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

**Filing Status**  Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)  
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial <b>MARY B</b>	Last name <b>BROWN</b>	Your social security number <b>0 0 0 0 0 0 0 4</b>
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. <b>101 MAPLE SREET</b>		Apt. no.	<b>Presidential Election Campaign</b> Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town, or post office. If you have a foreign address, also complete spaces below. <b>HOMETOWN</b>	State <b>NC</b>	ZIP code <b>29999</b>	
Foreign country name	Foreign province/state/county	Foreign postal code	

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?  Yes  No

**Standard Deduction** **Someone can claim:**  You as a dependent  Your spouse as a dependent  
 Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** **You:**  Were born before January 2, 1956  Are blind **Spouse:**  Was born before January 2, 1956  Is blind

Dependents (see instructions): If more than four dependents, see instructions and check here ▶ <input type="checkbox"/>	(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):	
					Child tax credit	Credit for other dependents
	<b>SALLY BROWN</b>		<b>3 3 3 3 3 3 3 3</b>	<b>DAUGHTER</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>

<b>1</b> Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .						<b>1</b>	23,425
<b>2a</b> Tax-exempt interest . . . . .	<b>2a</b>		<b>b</b> Taxable interest . . . . .		<b>2b</b>		50
<b>3a</b> Qualified dividends . . . . .	<b>3a</b>		<b>b</b> Ordinary dividends . . . . .		<b>3b</b>		
<b>4a</b> IRA distributions . . . . .	<b>4a</b>		<b>b</b> Taxable amount . . . . .		<b>4b</b>		
<b>5a</b> Pensions and annuities . . . . .	<b>5a</b>		<b>b</b> Taxable amount . . . . .		<b>5b</b>		
<b>6a</b> Social security benefits . . . . .	<b>6a</b>		<b>b</b> Taxable amount . . . . .		<b>6b</b>		
<b>7</b> Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . .					<b>7</b>		
<b>8</b> Other income from Schedule 1, line 9 . . . . .					<b>8</b>		
<b>9</b> Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b> . . . . .					<b>9</b>		23,475
<b>10</b> Adjustments to income:							
<b>a</b> From Schedule 1, line 22 . . . . .		<b>10a</b>					
<b>b</b> Charitable contributions if you take the standard deduction. See instructions . . . . .		<b>10b</b>					
<b>c</b> Add lines 10a and 10b. These are your <b>total adjustments to income</b> . . . . .					<b>10c</b>		
<b>11</b> Subtract line 10c from line 9. This is your <b>adjusted gross income</b> . . . . .					<b>11</b>		23,475
<b>12</b> <b>Standard deduction or itemized deductions</b> (from Schedule A) . . . . .					<b>12</b>		18,650
<b>13</b> Qualified business income deduction. Attach Form 8995 or Form 8995-A . . . . .					<b>13</b>		
<b>14</b> Add lines 12 and 13 . . . . .					<b>14</b>		18,650
<b>15</b> <b>Taxable income.</b> Subtract line 14 from line 11. If zero or less, enter -0- . . . . .					<b>15</b>		4,825

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2020)

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
17	Amount from Schedule 2, line 3	17
18	Add lines 16 and 17	18
19	Child tax credit or credit for other dependents	19
20	Amount from Schedule 3, line 7	20
21	Add lines 19 and 20	21
22	Subtract line 21 from line 18. If zero or less, enter -0-	22
23	Other taxes, including self-employment tax, from Schedule 2, line 10	23
24	Add lines 22 and 23. This is your <b>total tax</b>	24
25	Federal income tax withheld from:	
a	Form(s) W-2	25a
b	Form(s) 1099	25b
c	Other forms (see instructions)	25c
d	Add lines 25a through 25c	25d
26	2020 estimated tax payments and amount applied from 2019 return	26
27	Earned income credit (EIC)	27
28	Additional child tax credit. Attach Schedule 8812	28
29	American opportunity credit from Form 8863, line 8	29
30	Recovery rebate credit. See instructions	30
31	Amount from Schedule 3, line 13	31
32	Add lines 27 through 31. These are your <b>total other payments and refundable credits</b>	32
33	Add lines 25d, 26, and 32. These are your <b>total payments</b>	33

• If you have a qualifying child, attach Sch. EIC.  
 • If you have nontaxable combat pay, see instructions.

**Refund**

34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid**

35a Amount of line 34 you want **refunded to you**. If Form 8888 is attached, check here

▶ b Routing number  ▶ c Type:  Checking  Savings

▶ d Account number

36 Amount of line 34 you want **applied to your 2021 estimated tax**

**Amount You Owe**

37 Subtract line 33 from line 24. This is the **amount you owe now**

**Note:** Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.

38 Estimated tax penalty (see instructions)

**Third Party Designee**

Do you want to allow another person to discuss this return with the IRS? See instructions  **Yes**. Complete below.  **No**

Designee's name  Phone no.  Personal identification number (PIN)

**Sign Here**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) ▶ <input type="text"/>
Spouse's signature. If a joint return, <b>both</b> must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) ▶ <input type="text"/>

Phone no.  Email address

**Paid Preparer Use Only**

Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's name ▶	Firm's address ▶			Phone no. <input type="text"/>
Firm's address ▶	Firm's EIN ▶			



## Test Question #2

### Facts:

Robert E. (001-11-2222) and Ellen J. (002-22-3333) Black live at 102 Green Road, Anywhere, North Carolina 21111. This is in Washington County. They filed their federal income tax return as married filing jointly. They were residents of North Carolina for the entire tax year of 2020.

Robert is 64 years old. He worked for the federal government from 1975 until he retired in 2005. He later retired from IBM in 2013. In 2020, he received wages from Amazon Corporation in the amount of \$25,000.00 and had \$1,350.00 withheld in North Carolina state income tax. He also received United States Civil Service annuity income in the amount of \$18,000.00 and \$5,700.00 in retirement income from IBM.

Ellen is 62 years old. She began working for the State of North Carolina in 1996 and retired in 2008. She received retirement income from the State of North Carolina of \$5,000.00.

In addition, Mr. and Mrs. Black received interest income from First Citizens Bank in the amount of \$1,400.00 and a state income tax refund reported on their federal income tax return in the amount of \$329.00. They claimed itemized deductions on their 2019 federal income tax return. For tax year 2020, they claimed the North Carolina standard deduction.

The taxpayers would like to report \$25.00 in consumer use tax for out-of-state purchases during the 2020 tax year. They paid total 2020 North Carolina estimated income tax in the amount of \$1,200.00. In addition, they would like to request that \$250.00 of their 2020 North Carolina state tax refund be applied to their 2021 North Carolina estimated income tax.

Please complete Mr. and Mrs. Black's 2020 North Carolina individual income tax return.

Form **1040**

Department of the Treasury—Internal Revenue Service (99)  
**U.S. Individual Income Tax Return**

**2020**

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

**Filing Status**

Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)

Check only one box.

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial <b>ROBERT E</b>		Last name <b>BLACK</b>	Your social security number <b>0 0 1 1 2 2 2 2</b>	
If joint return, spouse's first name and middle initial <b>ELLEN J</b>		Last name <b>BLACK</b>	Spouse's social security number <b>0 0 2 2 3 3 3 3</b>	
Home address (number and street). If you have a P.O. box, see instructions. <b>102 GREEN ROAD</b>			Apt. no.	<b>Presidential Election Campaign</b> Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town, or post office. If you have a foreign address, also complete spaces below. <b>ANYWHERE</b>		State <b>NC</b>	ZIP code <b>21111</b>	
Foreign country name		Foreign province/state/county	Foreign postal code	

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?  Yes  No

**Standard Deduction**

**Someone can claim:**  You as a dependent  Your spouse as a dependent  
 Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness**

**You:**  Were born before January 2, 1956  Are blind **Spouse:**  Was born before January 2, 1956  Is blind

**Dependents**

(see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions): Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Attach Sch. B if required.  <b>Standard Deduction for—</b> • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under <i>Standard Deduction</i> , see instructions.	<b>1</b>	Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .	<b>1</b>	25,000
	<b>2a</b>	Tax-exempt interest . . . . .	<b>2a</b>	
	<b>3a</b>	Qualified dividends . . . . .	<b>3a</b>	
	<b>4a</b>	IRA distributions . . . . .	<b>4a</b>	
	<b>5a</b>	Pensions and annuities . . . . .	<b>5a</b>	28,700
	<b>6a</b>	Social security benefits . . . . .	<b>6a</b>	
	<b>7</b>	Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . . <input type="checkbox"/>	<b>7</b>	
	<b>8</b>	Other income from Schedule 1, line 9 . . . . .	<b>8</b>	329
	<b>9</b>	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b> . . . . . ▶	<b>9</b>	55,429
	<b>10</b>	Adjustments to income:		
	<b>a</b>	From Schedule 1, line 22 . . . . .	<b>10a</b>	
	<b>b</b>	Charitable contributions if you take the standard deduction. See instructions . . . . .	<b>10b</b>	
	<b>c</b>	Add lines 10a and 10b. These are your <b>total adjustments to income</b> . . . . . ▶	<b>10c</b>	
	<b>11</b>	Subtract line 10c from line 9. This is your <b>adjusted gross income</b> . . . . . ▶	<b>11</b>	55,429
	<b>12</b>	<b>Standard deduction or itemized deductions</b> (from Schedule A) . . . . .	<b>12</b>	24,800
<b>13</b>	Qualified business income deduction. Attach Form 8995 or Form 8995-A . . . . .	<b>13</b>		
<b>14</b>	Add lines 12 and 13 . . . . .	<b>14</b>	24,800	
<b>15</b>	<b>Taxable income.</b> Subtract line 14 from line 11. If zero or less, enter -0- . . . . .	<b>15</b>	30,629	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2020)

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
17	Amount from Schedule 2, line 3	17
18	Add lines 16 and 17	18
19	Child tax credit or credit for other dependents	19
20	Amount from Schedule 3, line 7	20
21	Add lines 19 and 20	21
22	Subtract line 21 from line 18. If zero or less, enter -0-	22
23	Other taxes, including self-employment tax, from Schedule 2, line 10	23
24	Add lines 22 and 23. This is your <b>total tax</b>	24
25	Federal income tax withheld from:	
a	Form(s) W-2	25a
b	Form(s) 1099	25b
c	Other forms (see instructions)	25c
d	Add lines 25a through 25c	25d
26	2020 estimated tax payments and amount applied from 2019 return	26
27	Earned income credit (EIC)	27
28	Additional child tax credit. Attach Schedule 8812	28
29	American opportunity credit from Form 8863, line 8	29
30	Recovery rebate credit. See instructions	30
31	Amount from Schedule 3, line 13	31
32	Add lines 27 through 31. These are your <b>total other payments and refundable credits</b>	32
33	Add lines 25d, 26, and 32. These are your <b>total payments</b>	33

• If you have a qualifying child, attach Sch. EIC.  
 • If you have nontaxable combat pay, see instructions.

**Refund**

34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you <b>overpaid</b>	34
35a	Amount of line 34 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>	35a
b	Routing number	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number	
36	Amount of line 34 you want <b>applied to your 2021 estimated tax</b>	36

**Amount You Owe**

For details on how to pay, see instructions.

37	Subtract line 33 from line 24. This is the <b>amount you owe now</b>	37
<b>Note:</b> Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.		
38	Estimated tax penalty (see instructions)	38

**Third Party Designee**

Do you want to allow another person to discuss this return with the IRS? See instructions  **Yes**. Complete below.  **No**

Designee's name  Phone no.  Personal identification number (PIN)

**Sign Here**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Spouse's signature. If a joint return, <b>both</b> must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Phone no.	Email address		

**Paid Preparer Use Only**

Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's name	Firm's address			Phone no.
Firm's address				Firm's EIN

**SCHEDULE 1  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service

**Additional Income and Adjustments to Income**

▶ **Attach to Form 1040, 1040-SR, or 1040-NR.**  
▶ **Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.**

OMB No. 1545-0074

**2020**  
Attachment  
Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR  
**ROBERT E & ELLEN J BLACK**

Your social security number  
**001-11-2222**

**Part I Additional Income**

<b>1</b>	Taxable refunds, credits, or offsets of state and local income taxes . . . . .	<b>1</b>	329
<b>2a</b>	Alimony received . . . . .	<b>2a</b>	
<b>b</b>	Date of original divorce or separation agreement (see instructions) ▶ _____		
<b>3</b>	Business income or (loss). Attach Schedule C . . . . .	<b>3</b>	
<b>4</b>	Other gains or (losses). Attach Form 4797 . . . . .	<b>4</b>	
<b>5</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E . . . . .	<b>5</b>	
<b>6</b>	Farm income or (loss). Attach Schedule F . . . . .	<b>6</b>	
<b>7</b>	Unemployment compensation . . . . .	<b>7</b>	
<b>8</b>	Other income. List type and amount ▶ _____	<b>8</b>	
<b>9</b>	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 . . . . .	<b>9</b>	329

**Part II Adjustments to Income**

<b>10</b>	Educator expenses . . . . .	<b>10</b>	
<b>11</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 . . . . .	<b>11</b>	
<b>12</b>	Health savings account deduction. Attach Form 8889 . . . . .	<b>12</b>	
<b>13</b>	Moving expenses for members of the Armed Forces. Attach Form 3903 . . . . .	<b>13</b>	
<b>14</b>	Deductible part of self-employment tax. Attach Schedule SE . . . . .	<b>14</b>	
<b>15</b>	Self-employed SEP, SIMPLE, and qualified plans . . . . .	<b>15</b>	
<b>16</b>	Self-employed health insurance deduction . . . . .	<b>16</b>	
<b>17</b>	Penalty on early withdrawal of savings . . . . .	<b>17</b>	
<b>18a</b>	Alimony paid . . . . .	<b>18a</b>	
<b>b</b>	Recipient's SSN . . . . . ▶ _____		
<b>c</b>	Date of original divorce or separation agreement (see instructions) ▶ _____		
<b>19</b>	IRA deduction . . . . .	<b>19</b>	
<b>20</b>	Student loan interest deduction . . . . .	<b>20</b>	
<b>21</b>	Tuition and fees deduction. Attach Form 8917 . . . . .	<b>21</b>	
<b>22</b>	Add lines 10 through 21. These are your <b>adjustments to income</b> . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a . . . . .	<b>22</b>	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2020

### **Test Question #3**

#### **Facts:**

Joe T. (202-00-0000) and Mary C. (303-00-0000) Army are both South Carolina residents. Their address is 101 Army Road, Fort Mill, SC 12789.

Joe received wages from the U.S. Army as a civilian in Fort Mill, SC in the amount of \$42,100.00 and had \$0.00 withheld in North Carolina state income tax. Mary worked for Bank of America located in Charlotte, NC. She received wages in the amount of \$35,250.00 and had \$1,330.00 withheld in North Carolina state income tax. In addition, Mary received interest income in the amount of \$212.00. They did not make any out-of-state purchases.

Mr. & Mrs. Army filed their 2020 federal income tax return as married filing jointly.

Please complete North Carolina income tax returns using the married filing jointly and married filing separately filing statuses to determine the most beneficial filing for Mr. & Mrs. Army. In both scenarios, it was more beneficial for the taxpayers to claim the federal standard deduction and North Carolina standard deduction.

Form **1040**

Department of the Treasury—Internal Revenue Service (99)  
**U.S. Individual Income Tax Return**

**2020**

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

**Filing Status**

Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)

Check only one box.

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial JOE T		Last name ARMY		Your social security number 2 0 2 0 0 0 0 0	
If joint return, spouse's first name and middle initial MARY C		Last name ARMY		Spouse's social security number 3 0 3 0 0 0 0 0	
Home address (number and street). If you have a P.O. box, see instructions. 101 ARMY ROAD				Apt. no.	
City, town, or post office. If you have a foreign address, also complete spaces below. FORT MILL			State SC	ZIP code 12789	
Foreign country name		Foreign province/state/county		Foreign postal code	

**Presidential Election Campaign**  
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  
 You  Spouse

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?  Yes  No

**Standard Deduction**

**Someone can claim:**  You as a dependent  Your spouse as a dependent  
 Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness**

**You:**  Were born before January 2, 1956  Are blind **Spouse:**  Was born before January 2, 1956  Is blind

**Dependents**

(see instructions):		(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Attach Sch. B if required.  <b>Standard Deduction for—</b> • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under <i>Standard Deduction</i> , see instructions.	<b>1</b>	Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .		<b>1</b>	77,350
	<b>2a</b>	Tax-exempt interest . . . . .	<b>2a</b>	<b>b</b> Taxable interest . . . . .	<b>2b</b> 212
	<b>3a</b>	Qualified dividends . . . . .	<b>3a</b>	<b>b</b> Ordinary dividends . . . . .	<b>3b</b>
	<b>4a</b>	IRA distributions . . . . .	<b>4a</b>	<b>b</b> Taxable amount . . . . .	<b>4b</b>
	<b>5a</b>	Pensions and annuities . . . . .	<b>5a</b>	<b>b</b> Taxable amount . . . . .	<b>5b</b>
	<b>6a</b>	Social security benefits . . . . .	<b>6a</b>	<b>b</b> Taxable amount . . . . .	<b>6b</b>
	<b>7</b>	Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . . <input type="checkbox"/>			<b>7</b>
	<b>8</b>	Other income from Schedule 1, line 9 . . . . .			<b>8</b>
	<b>9</b>	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b> . . . . . ▶			<b>9</b> 77,562
	<b>10</b>	Adjustments to income:			
	<b>a</b>	From Schedule 1, line 22 . . . . .	<b>10a</b>		
	<b>b</b>	Charitable contributions if you take the standard deduction. See instructions . . . . .	<b>10b</b>		
	<b>c</b>	Add lines 10a and 10b. These are your <b>total adjustments to income</b> . . . . . ▶			<b>10c</b>
	<b>11</b>	Subtract line 10c from line 9. This is your <b>adjusted gross income</b> . . . . . ▶			<b>11</b> 77,562
	<b>12</b>	<b>Standard deduction or itemized deductions</b> (from Schedule A) . . . . .			<b>12</b> 24,800
<b>13</b>	Qualified business income deduction. Attach Form 8995 or Form 8995-A . . . . .			<b>13</b>	
<b>14</b>	Add lines 12 and 13 . . . . .			<b>14</b> 24,800	
<b>15</b>	<b>Taxable income.</b> Subtract line 14 from line 11. If zero or less, enter -0- . . . . .			<b>15</b> 52,762	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2020)

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
17	Amount from Schedule 2, line 3	17
18	Add lines 16 and 17	18
19	Child tax credit or credit for other dependents	19
20	Amount from Schedule 3, line 7	20
21	Add lines 19 and 20	21
22	Subtract line 21 from line 18. If zero or less, enter -0-	22
23	Other taxes, including self-employment tax, from Schedule 2, line 10	23
24	Add lines 22 and 23. This is your <b>total tax</b>	24
25	Federal income tax withheld from:	
a	Form(s) W-2	25a
b	Form(s) 1099	25b
c	Other forms (see instructions)	25c
d	Add lines 25a through 25c	25d
26	2020 estimated tax payments and amount applied from 2019 return	26
27	Earned income credit (EIC)	27
28	Additional child tax credit. Attach Schedule 8812	28
29	American opportunity credit from Form 8863, line 8	29
30	Recovery rebate credit. See instructions	30
31	Amount from Schedule 3, line 13	31
32	Add lines 27 through 31. These are your <b>total other payments and refundable credits</b>	32
33	Add lines 25d, 26, and 32. These are your <b>total payments</b>	33

• If you have a qualifying child, attach Sch. EIC.  
 • If you have nontaxable combat pay, see instructions.

**Refund**

34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you <b>overpaid</b>	34
35a	Amount of line 34 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>	35a
b	Routing number	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number	
36	Amount of line 34 you want <b>applied to your 2021 estimated tax</b>	36

**Amount You Owe**

For details on how to pay, see instructions.

37	Subtract line 33 from line 24. This is the <b>amount you owe now</b>	37
<b>Note:</b> Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.		
38	Estimated tax penalty (see instructions)	38

**Third Party Designee**

Do you want to allow another person to discuss this return with the IRS? See instructions  **Yes**. Complete below.  **No**

Designee's name  Phone no.  Personal identification number (PIN)

**Sign Here**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Spouse's signature. If a joint return, <b>both</b> must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Phone no.	Email address		

**Paid Preparer Use Only**

Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's name	Firm's address			Phone no.
Firm's address				Firm's EIN

Form **1040**

Department of the Treasury—Internal Revenue Service (99)  
**U.S. Individual Income Tax Return**

**2020**

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

**Filing Status**  Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)  
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ► **JOE T ARMY**

Your first name and middle initial <b>MARY C</b>	Last name <b>ARMY</b>	<b>Your social security number</b> 3 0 3 0 0 0 0 0
If joint return, spouse's first name and middle initial	Last name	<b>Spouse's social security number</b>

Home address (number and street). If you have a P.O. box, see instructions. <b>101 ARMY ROAD</b>		Apt. no.	<b>Presidential Election Campaign</b> Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town, or post office. If you have a foreign address, also complete spaces below. <b>FORT MILL</b>	State <b>SC</b>	ZIP code <b>12789</b>	
Foreign country name	Foreign province/state/county	Foreign postal code	

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?  Yes  No

**Standard Deduction** **Someone can claim:**  You as a dependent  Your spouse as a dependent  
 Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** **You:**  Were born before January 2, 1956  Are blind **Spouse:**  Was born before January 2, 1956  Is blind

**Dependents** (see instructions):

If more than four dependents, see instructions and check here ► <input type="checkbox"/>	(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):	Child tax credit	Credit for other dependents
							<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>

Attach Sch. B if required.  <b>Standard Deduction for—</b> • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under <i>Standard Deduction</i> , see instructions.	<b>1</b> Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .		<b>1</b>	35,250
	<b>2a</b> Tax-exempt interest . . . . .	<b>2a</b>	<b>b</b> Taxable interest . . . . .	<b>2b</b> 212
	<b>3a</b> Qualified dividends . . . . .	<b>3a</b>	<b>b</b> Ordinary dividends . . . . .	<b>3b</b>
	<b>4a</b> IRA distributions . . . . .	<b>4a</b>	<b>b</b> Taxable amount . . . . .	<b>4b</b>
	<b>5a</b> Pensions and annuities . . . . .	<b>5a</b>	<b>b</b> Taxable amount . . . . .	<b>5b</b>
	<b>6a</b> Social security benefits . . . . .	<b>6a</b>	<b>b</b> Taxable amount . . . . .	<b>6b</b>
	<b>7</b> Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . .			<b>7</b>
	<b>8</b> Other income from Schedule 1, line 9 . . . . .			<b>8</b>
	<b>9</b> Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b> . . . . .			<b>9</b> 35,462
	<b>10</b> Adjustments to income:			
	<b>a</b> From Schedule 1, line 22 . . . . .	<b>10a</b>		
	<b>b</b> Charitable contributions if you take the standard deduction. See instructions . . . . .	<b>10b</b>		
	<b>c</b> Add lines 10a and 10b. These are your <b>total adjustments to income</b> . . . . .			<b>10c</b>
	<b>11</b> Subtract line 10c from line 9. This is your <b>adjusted gross income</b> . . . . .			<b>11</b> 35,462
	<b>12</b> <b>Standard deduction or itemized deductions</b> (from Schedule A) . . . . .			<b>12</b> 12,400
<b>13</b> Qualified business income deduction. Attach Form 8995 or Form 8995-A . . . . .			<b>13</b>	
<b>14</b> Add lines 12 and 13 . . . . .			<b>14</b> 12,400	
<b>15</b> <b>Taxable income.</b> Subtract line 14 from line 11. If zero or less, enter -0- . . . . .			<b>15</b> 23,062	



16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
17	Amount from Schedule 2, line 3	17
18	Add lines 16 and 17	18
19	Child tax credit or credit for other dependents	19
20	Amount from Schedule 3, line 7	20
21	Add lines 19 and 20	21
22	Subtract line 21 from line 18. If zero or less, enter -0-	22
23	Other taxes, including self-employment tax, from Schedule 2, line 10	23
24	Add lines 22 and 23. This is your <b>total tax</b>	24
25	Federal income tax withheld from:	
a	Form(s) W-2	25a
b	Form(s) 1099	25b
c	Other forms (see instructions)	25c
d	Add lines 25a through 25c	25d
26	2020 estimated tax payments and amount applied from 2019 return	26
27	Earned income credit (EIC)	27
28	Additional child tax credit. Attach Schedule 8812	28
29	American opportunity credit from Form 8863, line 8	29
30	Recovery rebate credit. See instructions	30
31	Amount from Schedule 3, line 13	31
32	Add lines 27 through 31. These are your <b>total other payments and refundable credits</b>	32
33	Add lines 25d, 26, and 32. These are your <b>total payments</b>	33

• If you have a qualifying child, attach Sch. EIC.  
 • If you have nontaxable combat pay, see instructions.

**Refund**

34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you <b>overpaid</b>	34
35a	Amount of line 34 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>	35a
b	Routing number	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number	
36	Amount of line 34 you want <b>applied to your 2021 estimated tax</b>	36

**Amount You Owe**

For details on how to pay, see instructions.

37	Subtract line 33 from line 24. This is the <b>amount you owe now</b>	37
<b>Note:</b> Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.		
38	Estimated tax penalty (see instructions)	38

**Third Party Designee**

Do you want to allow another person to discuss this return with the IRS? See instructions  **Yes**. Complete below.  **No**

Designee's name  Phone no.  Personal identification number (PIN)

**Sign Here**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Spouse's signature. If a joint return, <b>both</b> must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Phone no.	Email address		

**Paid Preparer Use Only**

Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's name	Firm's address			Phone no.
Firm's address				Firm's EIN

## Test Question #4

### Facts:

Lester L. (SSN 123-22-4567) and Gladys W. (SSN 234-33-6789) Scruggs were part-year residents of North Carolina for tax year 2020. They became North Carolina residents on July 1, 2020. Mr. Scruggs elects to denote on his North Carolina income tax return that he is a veteran. Mr. and Mrs. Scruggs have two children, James (SSN 444-55-6666) age 14 and Sue (SSN 777-66-3333) age 18 who is a full-time student. They live at 1313 Not Real Lane, Raleigh, North Carolina 27615. This is in Wake County.

Lester received \$25,000.00 in wages from Lockheed Martin earned in Virginia before becoming a North Carolina resident. He received \$40,000.00 in wages from Lockheed Martin earned in North Carolina after becoming a North Carolina resident on or after July 1, 2020 and had \$2,800.00 withheld in North Carolina state income tax. Mr. Scruggs received \$6,000.00 (\$500.00 per month) in his pension from the United States Navy (Bailey Vested) during 2020. Mr. Scruggs received two separate IRA distributions of \$5,000.00 each on April 2, 2020 and September 8, 2020. Mr. Scruggs received interest income each month with a yearly total of \$576.00 from Coastal Federal Credit Union. Mr. Scruggs also sold stock on December 1, 2020, for a capital gain for \$800.00.

Previously, the taxpayers were North Carolina residents in tax year 2013 and claimed a deduction from federal adjusted gross income of \$5,000 for contributions made to an N.C. 529 Plan on their 2013 D-400. In 2020, the taxpayers withdrew \$5,000 from their N.C. 529 Plan on November 1, 2020 and the funds were not used for a purpose allowed under IRC section 529.

The Scruggs did not make any out-of-state purchases during the tax year 2020. They claimed the standard deduction on their federal income tax return because it was greater than the amount of their eligible federal itemized deductions shown Federal Schedule A. As a result, the Scruggs must determine if it will be more beneficial to claim the N.C. standard deduction or the allowable N.C. itemized deductions on their North Carolina income tax return. Please complete Mr. and Mrs. Scruggs 2020 North Carolina individual income tax return.

Form **1040**

Department of the Treasury—Internal Revenue Service (99)  
**U.S. Individual Income Tax Return**

**2020**

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

**Filing Status**

Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)

Check only one box.

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial <b>LESTER L</b>		Last name <b>SCRUGGS</b>		Your social security number <b>1 2 3 2 4 5 6 7</b>	
If joint return, spouse's first name and middle initial <b>GLADYS W</b>		Last name <b>SCRUGGS</b>		Spouse's social security number <b>2 3 4 3 6 7 8 9</b>	
Home address (number and street). If you have a P.O. box, see instructions. <b>1313 NOT REAL LANE</b>				Apt. no.	
City, town, or post office. If you have a foreign address, also complete spaces below. <b>RALEIGH</b>			State <b>NC</b>	ZIP code <b>27615</b>	
Foreign country name		Foreign province/state/county		Foreign postal code	

**Presidential Election Campaign**  
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  
 You  Spouse

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?  Yes  No

**Standard Deduction**

**Someone can claim:**  You as a dependent  Your spouse as a dependent  
 Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness**

**You:**  Were born before January 2, 1956  Are blind **Spouse:**  Was born before January 2, 1956  Is blind

**Dependents**

(see instructions):		(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):	
(1) First name	Last name			Child tax credit	Credit for other dependents
JAMES	SCRUGGS	4 4 4 5 5 6 6 6 6	SON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SUE	SCRUGGS	7 7 7 6 6 3 3 3 3	DAUGHTER	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Attach Sch. B if required.	<b>1</b>	Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .	<b>1</b>	65,000
	<b>2a</b>	Tax-exempt interest . . . . .	<b>2b</b>	576
	<b>3a</b>	Qualified dividends . . . . .	<b>3b</b>	
	<b>4a</b>	IRA distributions . . . . .	<b>4b</b>	10,000
	<b>5a</b>	Pensions and annuities . . . . .	<b>5b</b>	6,000
	<b>6a</b>	Social security benefits . . . . .	<b>6b</b>	
	<b>7</b>	Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . . <input type="checkbox"/>	<b>7</b>	800
	<b>8</b>	Other income from Schedule 1, line 9 . . . . .	<b>8</b>	
	<b>9</b>	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b> . . . . . ▶	<b>9</b>	82,376
	<b>10</b>	Adjustments to income:		
	<b>a</b>	From Schedule 1, line 22 . . . . .	<b>10a</b>	
	<b>b</b>	Charitable contributions if you take the standard deduction. See instructions . . . . .	<b>10b</b>	
	<b>c</b>	Add lines 10a and 10b. These are your <b>total adjustments to income</b> . . . . . ▶	<b>10c</b>	
	<b>11</b>	Subtract line 10c from line 9. This is your <b>adjusted gross income</b> . . . . . ▶	<b>11</b>	82,376
	<b>12</b>	<b>Standard deduction or itemized deductions</b> (from Schedule A) . . . . .	<b>12</b>	24,800
<b>13</b>	Qualified business income deduction. Attach Form 8995 or Form 8995-A . . . . .	<b>13</b>		
<b>14</b>	Add lines 12 and 13 . . . . .	<b>14</b>	24,800	
<b>15</b>	<b>Taxable income.</b> Subtract line 14 from line 11. If zero or less, enter -0- . . . . .	<b>15</b>	57,576	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2020)

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
17	Amount from Schedule 2, line 3	17
18	Add lines 16 and 17	18
19	Child tax credit or credit for other dependents	19
20	Amount from Schedule 3, line 7	20
21	Add lines 19 and 20	21
22	Subtract line 21 from line 18. If zero or less, enter -0-	22
23	Other taxes, including self-employment tax, from Schedule 2, line 10	23
24	Add lines 22 and 23. This is your <b>total tax</b>	24
25	Federal income tax withheld from:	
a	Form(s) W-2	25a
b	Form(s) 1099	25b
c	Other forms (see instructions)	25c
d	Add lines 25a through 25c	25d
26	2020 estimated tax payments and amount applied from 2019 return	26
27	Earned income credit (EIC)	27
28	Additional child tax credit. Attach Schedule 8812	28
29	American opportunity credit from Form 8863, line 8	29
30	Recovery rebate credit. See instructions	30
31	Amount from Schedule 3, line 13	31
32	Add lines 27 through 31. These are your <b>total other payments and refundable credits</b>	32
33	Add lines 25d, 26, and 32. These are your <b>total payments</b>	33

• If you have a qualifying child, attach Sch. EIC.  
 • If you have nontaxable combat pay, see instructions.

**Refund**

34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you <b>overpaid</b>	34
35a	Amount of line 34 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>	35a
b	Routing number	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number	
36	Amount of line 34 you want <b>applied to your 2021 estimated tax</b>	36

**Amount You Owe**

For details on how to pay, see instructions.

37	Subtract line 33 from line 24. This is the <b>amount you owe now</b>	37
<b>Note:</b> Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.		
38	Estimated tax penalty (see instructions)	38

**Third Party Designee**

Do you want to allow another person to discuss this return with the IRS? See instructions  **Yes**. Complete below.  **No**

Designee's name  Phone no.  Personal identification number (PIN)

**Sign Here**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Spouse's signature. If a joint return, <b>both</b> must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Phone no.	Email address		

**Paid Preparer Use Only**

Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's name	Firm's address			Phone no.
Firm's address				Firm's EIN

**SCHEDULE A  
(Form 1040)**

**Itemized Deductions**

OMB No. 1545-0074

**2020**  
Attachment  
Sequence No. **07**

Department of the Treasury  
Internal Revenue Service (99)

► Go to [www.irs.gov/ScheduleA](http://www.irs.gov/ScheduleA) for instructions and the latest information.

► Attach to Form 1040 or 1040-SR.

**Caution:** If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

Name(s) shown on Form 1040 or 1040-SR

LESTER L & GLADYS W SCRUGGS

Your social security number

123-22-4567

**Medical and Dental Expenses**

**Caution:** Do not include expenses reimbursed or paid by others.

<b>1</b>	Medical and dental expenses (see instructions)		
<b>2</b>	Enter amount from Form 1040 or 1040-SR, line 11	2	
<b>3</b>	Multiply line 2 by 7.5% (0.075)		
<b>4</b>	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		

**Taxes You Paid**

<b>5</b>	State and local taxes.		
<b>a</b>	State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/>	<b>5a</b>	2,800
<b>b</b>	State and local real estate taxes (see instructions)	<b>5b</b>	450
<b>c</b>	State and local personal property taxes	<b>5c</b>	250
<b>d</b>	Add lines 5a through 5c	<b>5d</b>	3,500
<b>e</b>	Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately)	<b>5e</b>	3,500
<b>6</b>	Other taxes. List type and amount	<b>6</b>	
<b>7</b>	Add lines 5e and 6	<b>7</b>	3,500

**Interest You Paid**

**Caution:** Your mortgage interest deduction may be limited (see instructions).

<b>8</b>	Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>		
<b>a</b>	Home mortgage interest and points reported to you on Form 1098. See instructions if limited	<b>8a</b>	4,250
<b>b</b>	Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address	<b>8b</b>	
<b>c</b>	Points not reported to you on Form 1098. See instructions for special rules	<b>8c</b>	
<b>d</b>	Mortgage insurance premiums (see instructions)	<b>8d</b>	
<b>e</b>	Add lines 8a through 8d	<b>8e</b>	4,250
<b>9</b>	Investment interest. Attach Form 4952 if required. See instructions.	<b>9</b>	
<b>10</b>	Add lines 8e and 9	<b>10</b>	4,250

**Gifts to Charity**

**Caution:** If you made a gift and got a benefit for it, see instructions.

<b>11</b>	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	<b>11</b>	16,900
<b>12</b>	Other than by cash or check. If you made any gift of \$250 or more, see instructions. You <b>must</b> attach Form 8283 if over \$500.	<b>12</b>	
<b>13</b>	Carryover from prior year	<b>13</b>	
<b>14</b>	Add lines 11 through 13	<b>14</b>	16,900

**Casualty and Theft Losses**

<b>15</b>	Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions	<b>15</b>	
-----------	--	-----------	--

**Other Itemized Deductions**

<b>16</b>	Other—from list in instructions. List type and amount	<b>16</b>	
-----------	---	-----------	--

**Total Itemized Deductions**

<b>17</b>	Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12	<b>17</b>	24,650
<b>18</b>	If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>		

## Test Question #5

### Facts:

John R. (SSN 101-55-0001) and Jane S. (SSN 202-66-0002) Smith were full year residents of North Carolina for tax year 2020. They have two children, Tim (SSN 111-11-1111) age 3 and Mike (SSN 222-22-2222) age 8. They live at 201 Somewhere Drive, Raleigh, North Carolina 02020. This is in Wake County.

In 2020, John's employer, Cisco Systems, temporarily assigned him to work out of state. He received wages of \$10,000.00 for Virginia source income and had \$0.00 state income tax withheld. He paid \$340.00 to the State of Virginia on the income he earned there. He received wages of \$15,000.00 for Maryland source income and had \$500.00 Maryland state income tax withheld. A Maryland state income tax return was filed and a refund of \$50.00 was received from the State of Maryland. John received total wages from Cisco Systems in the amount of \$105,000.00. He had \$5,250.00 withheld in North Carolina state income tax.

Jane is a sales associate for a Belk department store and received \$20,000.00 in wages during 2020. She had \$1,400.00 withheld in North Carolina state income tax.

In addition, they received \$300.00 in interest income from BB&T and \$150.00 from Virginia municipal bond interest.

Mr. and Mrs. Smith claimed federal itemized deductions of \$35,985.00 on their 2020 federal return. Please completed Mr. and Mrs. Smith's 2020 North Carolina individual income tax return.

Form **1040**

Department of the Treasury—Internal Revenue Service (99)  
**U.S. Individual Income Tax Return**

**2020**

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

**Filing Status**

Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)

Check only one box.

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial <b>JOHN R</b>		Last name <b>SMITH</b>	Your social security number <b>1 0 1 5 5 0 0 0 1</b>
If joint return, spouse's first name and middle initial <b>JANE S</b>		Last name <b>SMITH</b>	Spouse's social security number <b>2 0 2 6 6 0 0 0 2</b>
Home address (number and street). If you have a P.O. box, see instructions. <b>201 SOMEWHERE DRIVE</b>			Apt. no.
City, town, or post office. If you have a foreign address, also complete spaces below. <b>RALEIGH</b>		State <b>NC</b>	ZIP code <b>02020</b>
Foreign country name		Foreign province/state/county	Foreign postal code

**Presidential Election Campaign**  
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  
 You  Spouse

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?  Yes  No

**Standard Deduction**

**Someone can claim:**  You as a dependent  Your spouse as a dependent  
 Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness**

**You:**  Were born before January 2, 1956  Are blind **Spouse:**  Was born before January 2, 1956  Is blind

**Dependents**

(see instructions):		(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):	
(1) First name	Last name			Child tax credit	Credit for other dependents
TIM	SMITH	1 1 1 1 1 1 1 1	SON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MIKE	SMITH	2 2 2 2 2 2 2 2	SON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Attach Sch. B if required.  <b>Standard Deduction for—</b> • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under Standard Deduction, see instructions.	<b>1</b>	Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .	<b>1</b>	125,000
	<b>2a</b>	Tax-exempt interest . . . . .	<b>2a</b>	150
	<b>3a</b>	Qualified dividends . . . . .	<b>3a</b>	
	<b>4a</b>	IRA distributions . . . . .	<b>4a</b>	
	<b>5a</b>	Pensions and annuities . . . . .	<b>5a</b>	
	<b>6a</b>	Social security benefits . . . . .	<b>6a</b>	
	<b>7</b>	Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . . <input type="checkbox"/>	<b>7</b>	
	<b>8</b>	Other income from Schedule 1, line 9 . . . . .	<b>8</b>	
	<b>9</b>	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b> . . . . . ▶	<b>9</b>	125,300
	<b>10</b>	Adjustments to income:		
	<b>a</b>	From Schedule 1, line 22 . . . . .	<b>10a</b>	
	<b>b</b>	Charitable contributions if you take the standard deduction. See instructions . . . . .	<b>10b</b>	
	<b>c</b>	Add lines 10a and 10b. These are your <b>total adjustments to income</b> . . . . . ▶	<b>10c</b>	
	<b>11</b>	Subtract line 10c from line 9. This is your <b>adjusted gross income</b> . . . . . ▶	<b>11</b>	125,300
	<b>12</b>	<b>Standard deduction or itemized deductions</b> (from Schedule A) . . . . .	<b>12</b>	35,867
<b>13</b>	Qualified business income deduction. Attach Form 8995 or Form 8995-A . . . . .	<b>13</b>		
<b>14</b>	Add lines 12 and 13 . . . . .	<b>14</b>	35,867	
<b>15</b>	<b>Taxable income.</b> Subtract line 14 from line 11. If zero or less, enter -0- . . . . .	<b>15</b>	89,433	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2020)

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
17	Amount from Schedule 2, line 3	17
18	Add lines 16 and 17	18
19	Child tax credit or credit for other dependents	19
20	Amount from Schedule 3, line 7	20
21	Add lines 19 and 20	21
22	Subtract line 21 from line 18. If zero or less, enter -0-	22
23	Other taxes, including self-employment tax, from Schedule 2, line 10	23
24	Add lines 22 and 23. This is your <b>total tax</b>	24
25	Federal income tax withheld from:	
a	Form(s) W-2	25a
b	Form(s) 1099	25b
c	Other forms (see instructions)	25c
d	Add lines 25a through 25c	25d
26	2020 estimated tax payments and amount applied from 2019 return	26
27	Earned income credit (EIC)	27
28	Additional child tax credit. Attach Schedule 8812	28
29	American opportunity credit from Form 8863, line 8	29
30	Recovery rebate credit. See instructions	30
31	Amount from Schedule 3, line 13	31
32	Add lines 27 through 31. These are your <b>total other payments and refundable credits</b>	32
33	Add lines 25d, 26, and 32. These are your <b>total payments</b>	33

• If you have a qualifying child, attach Sch. EIC.  
 • If you have nontaxable combat pay, see instructions.

**Refund**

34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you <b>overpaid</b>	34
35a	Amount of line 34 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>	35a
b	Routing number	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number	
36	Amount of line 34 you want <b>applied to your 2021 estimated tax</b>	36

**Amount You Owe**

For details on how to pay, see instructions.

37	Subtract line 33 from line 24. This is the <b>amount you owe now</b>	37
<b>Note:</b> Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.		
38	Estimated tax penalty (see instructions)	38

**Third Party Designee**

Do you want to allow another person to discuss this return with the IRS? See instructions  **Yes**. Complete below.  **No**

Designee's name  Phone no.  Personal identification number (PIN)

**Sign Here**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Spouse's signature. If a joint return, <b>both</b> must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Phone no.	Email address		

**Paid Preparer Use Only**

Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's name	Firm's address			Phone no.
Firm's address				Firm's EIN



**SCHEDULE A**  
**(Form 1040)**

**Itemized Deductions**

OMB No. 1545-0074

Department of the Treasury  
Internal Revenue Service (99)

▶ Go to [www.irs.gov/ScheduleA](http://www.irs.gov/ScheduleA) for instructions and the latest information.

▶ Attach to Form 1040 or 1040-SR.

**2020**  
Attachment  
Sequence No. **07**

**Caution:** If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

Name(s) shown on Form 1040 or 1040-SR

JOHN R & JANE S SMITH

Your social security number

101-55-0001

**Medical and Dental Expenses**

**Caution:** Do not include expenses reimbursed or paid by others.

<b>1</b>	Medical and dental expenses (see instructions)	17,500
<b>2</b>	Enter amount from Form 1040 or 1040-SR, line 11	125,300
<b>3</b>	Multiply line 2 by 7.5% (0.075)	9,398
<b>4</b>	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	8,102

**Taxes You Paid**

<b>5</b>	State and local taxes.	
<b>5a</b>	State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/>	7,440
<b>5b</b>	State and local real estate taxes (see instructions)	1,650
<b>5c</b>	State and local personal property taxes	450
<b>5d</b>	Add lines 5a through 5c	9,540
<b>5e</b>	Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately)	9,540
<b>6</b>	Other taxes. List type and amount	
<b>7</b>	Add lines 5e and 6	9,540

**Interest You Paid**

**Caution:** Your mortgage interest deduction may be limited (see instructions).

<b>8</b>	Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>	
<b>8a</b>	Home mortgage interest and points reported to you on Form 1098. See instructions if limited	14,500
<b>8b</b>	Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address	
<b>8c</b>	Points not reported to you on Form 1098. See instructions for special rules	
<b>8d</b>	Mortgage insurance premiums (see instructions)	
<b>8e</b>	Add lines 8a through 8d	
<b>9</b>	Investment interest. Attach Form 4952 if required. See instructions.	
<b>10</b>	Add lines 8e and 9	14,500

**Gifts to Charity**

**Caution:** If you made a gift and got a benefit for it, see instructions.

<b>11</b>	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	3,725
<b>12</b>	Other than by cash or check. If you made any gift of \$250 or more, see instructions. You <b>must</b> attach Form 8283 if over \$500.	
<b>13</b>	Carryover from prior year	
<b>14</b>	Add lines 11 through 13	3,725

**Casualty and Theft Losses**

<b>15</b>	Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions	
-----------	--	--

**Other Itemized Deductions**

<b>16</b>	Other—from list in instructions. List type and amount	
-----------	---	--

**Total Itemized Deductions**

<b>17</b>	Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12	35,867
<b>18</b>	If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>	