

The information contained in these instructions are to be used as a guide in the preparation of the 2023 North Carolina estates and trusts income tax return and are not intended to cover all provisions of the law. For further information on North Carolina tax law, refer to the administrative rules, bulletins, directives, or other publications issued by the Department of Revenue.

Important: The references to line numbers on federal income tax returns were correct at the time these instructions were published. If line numbers have changed since publication and you are unable to determine the proper line to use when completing the estate's or trust's North Carolina tax return, contact the Department of Revenue at 1-877-252-3052.

General Information

Who must file Form D-407. A fiduciary must file North Carolina Form D-407 for the estate or trust if the fiduciary is required to file a federal income tax return for estates and trusts and (1) the estate or trust derives income from North Carolina sources or (2) the estate or trust derives any income which is for the benefit of a resident of North Carolina. **Exception:** With respect to grantor trust returns, the Department of Revenue has access to the federal information contained in the federal grantor trust returns. Therefore, a State grantor trust return is not required to be filed when the entire trust is treated as a grantor trust for federal tax purposes.

Other returns to be filed by fiduciaries:

(1) Returns for decedents. A personal representative must file an individual income tax return, Form D-400, for the last taxable year of the decedent if the decedent had income that was sufficient to require the filing of an individual income tax return.

(2) Returns for other individuals. A fiduciary, including the guardian of a minor (who has not filed a return) and the guardian of a mentally incompetent individual who has charge of the income of the individual, must file a return on Form D-400 if a return is required for such an individual.

Period Covered by the Return. All estates and trusts required to file a North Carolina tax return must file Form D-407, using the same tax year the estate or trust used for federal income tax purposes.

File the 2023 Form D-407 for calendar year 2023 and fiscal years beginning in 2023. If the return is filed for other than a calendar year, fill in the beginning and ending dates of the taxable year in the boxes at the top of page 1 of Form D-407.

The 2023 Form D-407 may also be used for a tax year beginning in 2024 if:

1. The estate or trust has a tax year of less than 12 months that begins and ends in 2024, and
2. The 2024 Form D-407 isn't available by the time the estate or trust is required to file its North Carolina tax return. However, the estate or trust must show its 2024 tax year on the 2023 Form D-407 and incorporate any tax law changes that are effective for tax years beginning after 2023.

Time and place for filing. Returns must be filed on or before the 15th day of April for an estate or trust filing on the calendar year basis, and

on or before the 15th day of the fourth month following the close of the fiscal year for an estate or trust filing on a fiscal year basis.

If the due date of the return falls on a Saturday, Sunday, or legal holiday in North Carolina or in the District of Columbia, a return filed by the next business day after the Saturday, Sunday, or legal holiday will be considered timely filed. *(For more information on timely mailing North Carolina tax returns, see "Directive TA-18-1" available on the Department's website.)*

If the estate or trust chooses not to e-file Form D-407, the return and any payment due can be mailed to the following address:

North Carolina Department of Revenue
P. O. Box 25000
Raleigh, North Carolina 27640-0640

For information on [e-file](#), visit the Department's website.

Extensions. An estate or trust that receives an automatic extension to file its federal income tax return will be granted an automatic state extension to file its North Carolina estates and trusts income tax return. In order to receive the automatic state extension, the estate or trust **MUST** fill in the "Federal Extension" circle on page 1 of Form D-407. An estate or trust that fails to certify on the North Carolina tax return that the estate or trust was granted a federal extension is subject to applicable penalties.

If an estate or trust is not granted an automatic federal extension to file the federal estates and trusts tax return, the estate or trust may still request an extension of time to file Form D-407 by filing Form D-410P, Application for Extension for Filing Partnership, Estate, or Trust Tax Return, by the original due date of the North Carolina estates and trusts tax return. **Important:** Without a valid extension, a North Carolina estates and trusts tax return filed after the original due date is delinquent and is subject to interest and all applicable penalties provided by law.

The fiduciary is not required to send a payment of the tax it estimates as due to receive the extension; however, it will benefit the estate or trust to pay as much as it can with the extension request.

Signature. The fiduciary or authorized representative must sign Form D-407. The return must also be signed by the person or in the name of the firm or corporation preparing the fiduciary's return for compensation. The daytime telephone number of the fiduciary should be shown, so the fiduciary can be reached if additional information is needed to process the return. *(For more information regarding paid preparer authorization, see page 17 of the 2023 Individual Income Tax Instructions, [Form D-401](#), available on the Department's website.)*

When and to whom the tax must be paid. The tax of an estate or trust must be paid in full when the return is filed. The tax may be paid 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 secure and convenient. For details, visit the [Department's website](#). The tax of an estate or trust may also be paid by check or money order payable to the North Carolina Department of Revenue. The Department will not accept a check or money order unless the funds are payable in U.S. dollars and drawn from a U.S. (domestic) bank.

Interest. If an estate or a trust does not pay the total amount of taxes owed, the Department is required to charge interest on any unpaid tax. Interest is computed at the applicable rate from the original due date to the date of payment, regardless of whether the estate or trust has been granted an extension. To obtain the current interest rate, visit the Department's website.

Failure to File Penalty. Returns filed after the original or extended due date (whichever is later) is subject to a penalty for failure to file a return on the date it is due. The penalty is calculated at a rate of five percent (5%) of the net tax due for each month, or part of a month, the return is late (maximum twenty-five percent (25%)).

Failure to Pay Penalty. Returns filed after the original due date are subject to a late payment penalty. Effective for assessments dated on or after January 1, 2023, the applicable rate is five percent (5%) of the net tax due, regardless of how late the tax is paid. The Department will publish a notification if this penalty changes.

If the estate or trust received a state extension to file its North Carolina estates and trusts tax return and the estate or trust paid at least 90 percent (90%) of the tax due by the original due date, the estate or trust will not be automatically penalized for late payment. If the 90 percent (90%) rule is met, any remaining balance due, including interest, must be paid with the estates and trusts tax return on or before the extended due date to avoid the late payment penalty.

Other Penalties. North Carolina law provides for other penalties for negligence, filing a frivolous return, and fraud. Criminal penalties also apply for fraud with intent to evade or defeat the tax and for willful failure to file a return, supply information, or pay the tax. *(For detailed information on penalties that may apply to estates and trust, see page 8 of the 2023 Individual Income Tax Instructions, [Form D-401](#), available from the Department's website.)*

Copy of governing instrument. A copy of the decedent's will or the trust instrument is not required unless the Department requests it. If the Department requests a copy, file the copy (including any amendments) with the following:

- (1) A signed statement under affirmation that the copy of the will is true and complete.
- (2) A statement listing the provisions of the will or the trust instrument that divide the income among the estate or trust and the beneficiaries.

Specific Instructions for Form D-407 NC K-1. Form NC K-1 for Form D-407 is used by an estate or trust to report each beneficiary's share of income, adjustments, tax credits, etc. Prepare and give a Form NC K-1 to each person who was a beneficiary of the estate or trust at any time during the year. Form NC K-1 must be provided to each beneficiary on or before the day on which the estate or trust return is required to be filed.

NC K-1 Supplemental Schedule. Form NC K-1 Supplemental Schedule is used by the estate or trust to report to each beneficiary, the beneficiary's share of North Carolina adjustments reported by the estate or trust on Form NC-PE. *(For more information, see instructions for Form D-407, Lines 2 and 4.)*

Instructions for Form D-407, Estates and Trusts Income Tax Return

If you are filling out Form D-407 by hand, please use black or blue ink only. Do not use red ink or pencil. Print your letters and numbers neatly. If you do not have an entry for a particular line, leave it blank. Do not use dashes, zeros or other symbols to indicate that you have no entry for that line.

Demographic and Other Taxpayer Information Instructions

Name, Address, and Identification Numbers. Enter the estate's or trust's name, address, and Federal Employer Identification Number on the appropriate lines.

Name and Title of Fiduciary. Enter the fiduciary's name and fill in the

applicable circle above the fiduciary's name to specify the fiduciary's title.

Initial Return. If this is the estate's or trust's first return in North Carolina, fill in the circle on page 1 of Form D-407.

Amended Return. If this is an amended return, fill in the circle on page 1 of Form D-407. **Note:** The estate or trust must provide a complete explanation as to the reason(s) for filing an amended return, including specific schedule and line number references, in the space provided on page 2 of Form D-407. *(For more information on filing an amended return, see page 5 of these instructions.)*

Final Return. If this is the estate's or trust's final return because the estate or trust has terminated or no longer has a requirement to file a North Carolina tax return, fill in the circle on page 1 of Form D-407.

Entity has Nonresident Beneficiaries. If the estate or trust has one or more nonresident beneficiaries, fill in the circle on page 1 of Form D-407.

Qualified Funeral Trust. If the trust is a qualified funeral trust ("QFT") for tax year 2023, fill in the circle on page 1 of Form D-407.

NC-PE Attached. If the estate or trust attached Form NC-PE to Form D-407, fill in the circle on page 1 of Form D-407. **Note:** An estate or trust adding (or deducting) North Carolina adjustments to (from) federal taxable income must complete Form NC-PE and attach it to the completed Form D-407. *(Form NC-PE is available from the Department's website.)*

ESBT Income. If the trust is an electing small business trust (an "ESBT") for tax year 2023, fill in the circle on page 1 of Form D-407.

Final Distribution of the Assets of the Estate. All estates must fill in one circle answering either "Yes" or "No" as to whether the estate made a final distribution of assets during tax year 2023. **Note:** If the estate did not make a final distribution, the estate may be required to file North Carolina tax returns for future years. *(For more information, see "Who must file Form D-407," on page 1 of these instructions.)*

N.C. Education Endowment Fund Contribution. An estate or a trust may elect to contribute to the N.C. Education Endowment Fund by making a contribution to the fund. To make a contribution, simply enclose Form NC-EDU and the estate's or trust's payment with the estate's or trust's Form D-407. If the estate or trust owes additional income tax on its return and would like to make a contribution to the fund, the estate or trust may write one check and enclose the check with both Form NC-EDU and Form D-407V. To designate part of the estate's or trust's overpayment to the N.C. Education Endowment Fund, see the instructions for Line 16 on page 3 of these instructions.

Federal Extension. All estates and trusts must fill in one circle answering either "Yes" or "No" to the "Federal Extension" question on page 1 of Form D-407. This question must be answered by all estates and trusts, not just estates and trusts that are granted an automatic extension to file federal Form 1041. **Important:** If the estate or trust does not answer "Yes" to the Federal Extension question, the estate or trust is subject to applicable late filing penalties. *(For more information on late filing penalties, see page 1 of these instructions.)*

Line Instructions

Line 1. Federal Taxable Income including ESBT Income. Enter the federal taxable income of the estate or trust as defined under IRC sections 641 through 692. **Important:** If an ESBT, enter the federal taxable income from both the S portion and the non-S portion of the trust.

Note: If completing the hand written version of Form D-407 and Line 1 is less than zero, enter the amount of loss on Line 1 as a positive number and fill in the circle next to the line to indicate the amount is negative.

Line 2. Additions to Federal Taxable Income. Determine the amount to enter on Line 2 by first completing Form NC-PE. Allocate North Carolina additions between the fiduciary and the beneficiaries on Form D-407, Schedule A. **Important:** On Line 2, enter the amount from Schedule A, Line 4 (the "Fiduciary" column).

Line 4. Deductions from Federal Taxable Income. Determine the amount to enter on Line 4 by first completing Form NC-PE. Allocate North Carolina deductions between the fiduciary and the beneficiaries on Form D-407, Schedule A. **Important:** On Line 4, enter the amount from Schedule A, Line 5 (the "Fiduciary" column).

Line 6. Income Not Taxable to North Carolina. If none of the federal taxable income, as adjusted, is from dividends, interest, gains, losses, other intangibles, or is business income from sources outside North Carolina for the benefit of a nonresident beneficiary, the total income of the estate or trust is taxable to the fiduciary, and you should enter zero on Line 6. The determination of the amount of federal taxable income (as adjusted) which is from intangible property or is business income from sources outside North Carolina for the benefit of a nonresident beneficiary is based on the income beneficiary's state of residence on the last day of the taxable year of the estate or trust.

If there are nonresident beneficiaries and Line 5 includes any income from interest, dividends, gains, losses, other intangible property, or business income from sources outside North Carolina for the benefit of a nonresident beneficiary, determine the amount to enter on Line 6 by completing Schedule B. *(For more information see page 4 of these instructions.)* **Note:** If completing the hand written version of Form D-407 and Line 6 is less than zero, enter the amount on Line 6 as a positive number and fill in the circle next to the line to indicate the amount is negative.

Important: On June 21, 2019, the United States Supreme Court ("Court") held that the presence of "in-state beneficiaries alone does not empower a state to tax trust income that has not been distributed to the beneficiaries where the beneficiaries have no right to demand that income and are uncertain ever to receive it." *North Carolina Department of Revenue v. The Kimberley Rice Kaestner 1992 Family Trust ("Kaestner")*, 139 S. Ct. 2213, 2221 (2019). By contrast, the Court stated that taxation of trust income based on distributions of trust income to an in-state resident, a trustee's in-state residence, or in-state trust administration does not violate the Constitution. *Id.* at 2220.

Trusts with connections to the State should carefully analyze those connections to determine if the connections are sufficient for the State to tax the entity's undistributed taxable income under the Due Process Clause. If Line 5 includes undistributed income for the benefit of a resident beneficiary that meets the facts and circumstances of Kaestner such that the income is not taxable to North Carolina, enter the amount of such income on the appropriate line of Schedule B on page 2 of Form D-407.

Line 9. Credits and Payments

Important: If you are filing an amended return and you are making an adjustment to the original amount reported on Lines 9a through 9e, see the specific instructions on page 5.

- a. Tax Credits.** Enter the amount of tax credits claimed for 2023. *(From 2023 Form D-407TC, Line 14)*
- b. Paid with Extension.** Enter the amount of extension payment made for 2023. *(From 2023 Form D-410P)*
- c. Partnerships or S Corporations.** Enter the amount of North Carolina income tax paid by a partnership or S corporation on behalf of the estate or trust. *(Include a copy of Form NC K-1 furnished by the partnership or S corporation to substantiate the amount claimed)*

Important: The estate or trust cannot apportion or allocate to its beneficiaries any portion of North Carolina income tax paid by a

partnership or an S corporation on behalf of the estate or trust if the amount was reported on Form NC K-1 issued to the estate or trust.

- d. North Carolina Tax Withheld Reported on Form 1099.** Enter the amount of North Carolina income tax withheld from the estate or trust if the amount withheld was reported on Form 1099. *(Include a copy of federal Form 1099 to substantiate the amount claimed)*

Important: The estate or trust cannot apportion or allocate to its beneficiaries any portion of North Carolina income tax withheld if the amount was reported on Form 1099 issued to the estate or trust.

- e. Other Payments.** Enter the amount of any other North Carolina income tax payments made on behalf of the estate or trust for 2023, including any North Carolina income tax prepayments.

Line 12. Penalties and Interest. Add Lines 12a and 12b and enter the total on Line 12c. *(For more information on interest and penalties, see page 1 of these instructions, and see page 8 of the 2023 Individual Income Tax Instructions, Form D-401, available on the Department's website.)*

Line 13. Amount Due. Add Lines 11 and 12c and enter the total on Line 13. The total tax, penalties, and interest due must be paid by the fiduciary responsible for administering the estate or trust.

Line 15. Contribution to the N.C. Nongame and Endangered Wildlife Fund. An estate or trust may elect to contribute part or all of its overpayment to the North Carolina Nongame and Endangered Wildlife Fund (Wildlife Fund). The tax deductible contribution is essential to match private and federal grants to pay for conservation projects from sea turtles to songbirds, and native fish to bats. Conserving these species and their habitat is made possible by contributions. Donations provide most of the funds for conservation of North Carolina's endangered species and native backyard wildlife.

If the estate or trust wishes to contribute to the Wildlife Fund, enter the amount of the contribution on Line 15. **The election to contribute to the Wildlife Fund cannot be changed after the return is filed.** If the estate or trust is not due a refund, it may still contribute to this Wildlife Fund by mailing a donation directly to:

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, check out www.ncwildlife.org/Donate.

Line 16. Contribution to the N.C. Education Endowment Fund. The North Carolina Education Endowment Fund (N.C. Education Fund) was created to provide additional support and funding for K-12 public schools. If the estate or trust wishes to contribute part or all of its overpayment to the N.C. Education Fund, enter the amount of the contribution on Line 16. **The election to contribute to the N.C. Education Fund cannot be changed after the return is filed.**

If the estate or trust is not due a refund, it may still contribute to the N.C. Education Fund by (1) making a contribution with its tax return, or (2) mailing a donation directly to the State.

If the estate or trust makes a contribution with its tax return, the estate or trust **MUST** send a Form NC-EDU (N.C. Education Fund Payment Voucher), along with its contribution. Form NC-EDU is a personalized voucher that allows the Department to process the contribution accurately and efficiently with fewer errors. To generate Form NC-EDU, visit the Department's website.

If the estate or trust wishes to make a donation directly to the State,

mail the contribution to:

North Carolina Department of Public Instruction, Cash Collections
6336 Mail Service Center,
Raleigh, N.C. 27699-6336

Line 17. Amount to be Refunded. Enter the amount of overpayment to be refunded on Line 17. The amount to be refunded cannot exceed Line 14 minus the total of Lines 15 and 16.

Schedule A - Apportionment of Income and Adjustments

Use Form NC -PE to compute the North Carolina fiduciary adjustments. Generally, estates and trusts are subject to the same additions and deductions allowed to individuals. **Important:** Form NC-PE lists all North Carolina adjustments permitted to an individual who is required to file a North Carolina individual income tax return. Only adjustments allowed by North Carolina law can be claimed by the estate or trust. Some of the adjustments listed on Form NC-PE do not apply to an estate or a trust. To determine if a North Carolina adjustment applies to an estate or a trust, review applicable federal and North Carolina tax law. If you do not see an item listed on Form NC-PE that you think should be an addition or a deduction, you should contact the Department before making the adjustment.

In taxing estates and trusts, all income is taxable to the fiduciary or to the beneficiaries. The conduit rule for taxing estates and trusts is applicable for North Carolina income tax purposes. Under the conduit rules regardless of who is taxed, the income retains its same character as when received by the estate or trust. The additions and deductions to federal taxable income of an estate or trust must be apportioned between the estate or trust and the beneficiaries based on the distributions of income made during the taxable year. **Note:** *The addition for bonus depreciation shall be apportioned between the fiduciary and beneficiaries. The addition reported by the fiduciary will be deducted on the fiduciary's return in the next five years and is not apportioned to any of the beneficiaries.*

If the trust instrument or will that created the estate or trust does not provide for the distribution of certain classes of income to different beneficiaries, the apportionment of additions and deductions to the beneficiaries is determined on the basis that each beneficiary's share of the estate's or trust's "total income," the sum of lines 1 through 8 on the beneficiary's Schedule K-1, federal Form 1041, relates to "adjusted total income or (loss)" from Line 17 of federal Form 1041. If the trust instrument or will specifically provides for the distribution of certain classes of income to different beneficiaries, any addition or deduction directly attributable to a particular class of income must be apportioned to the beneficiaries to which that class of income is distributed. In apportioning the adjustments, the total income on federal Schedule K-1 must be adjusted for distributions to the beneficiaries that are not reflected in the total income. The adjusted total income (Line 17 of federal Form 1041) must be adjusted (1) to exclude classes of income that are not part of the distribution to the beneficiary; (2) to include classes of income that are a part of the distribution to the beneficiary but are not included on Line 17; and (3) by any deduction treated differently for State and federal tax purposes that adjusts federal taxable income (see additions and deductions, Form NC-PE). The fiduciary may elect to apportion the federal deduction for State income tax to the estate or trust except in cases where the beneficiary's total distribution from the estate or trust has not been included in his federal taxable income because it exceeded the estate's or trust's federal distributable net income. In such cases, the addition for State income tax must be apportioned to the beneficiary to the extent his distribution exceeds the amount included in federal taxable income because of the State income tax deduction. After apportioning the additions and deductions to the beneficiaries, the balance is apportioned to the fiduciary. Line 3,

Net N.C. Source Income, should reflect the sum of Lines 6 and 7, minus Line 8 from D-407 NC K-1.

Enter the full name and identifying number of each beneficiary and determine the additions and deductions to be allowed to each beneficiary and to the fiduciary. Each beneficiary should be furnished a Form NC K-1 and NC K-1 Supplemental Schedule (if applicable) showing the applicable additions, deductions, tax credits, etc., to be reported on the beneficiary's North Carolina income tax return. A nonresident individual, in calculating the percentage of taxable income subject to North Carolina tax on the individual income tax return, must adjust his share of the income from North Carolina sources only by the additions and deductions attributable to the North Carolina income. The fiduciary's portion of the additions and deductions should be reported on Lines 2 and 4, respectively, on page 1 of Form D-407.

Schedule B - Income Not Taxable to North Carolina

Line 1. Intangible Income for the Benefit of Nonresident Beneficiaries. Enter any intangible income (as adjusted) from page 1, Line 5 of Form D-407 that is for the benefit of nonresident beneficiaries. Intangible income may include income from interest, dividends, gains, losses, or other intangible property.

Line 2. Income for the Benefit of Nonresident Beneficiaries from Sources Other than North Carolina. Enter any non-North Carolina source income (as adjusted) from page 1, Line 5 of Form D-407 that is for the benefit of a nonresident beneficiary.

Important: Lines 3 and 4 only apply if page 1, Line 5 of Form D-407 includes undistributed income for the benefit of a resident beneficiary that meets the facts and circumstances of Kaestner such that the income is not taxable to North Carolina. (*For more information on Kaestner, see page 3 of these instructions.*)

Line 3. Intangible Income for the Benefit of Resident Beneficiaries. If page 1, Line 5 of Form D-407 includes undistributed income for the benefit of a resident beneficiary that meets the facts and circumstances of Kaestner such that the income is not taxable to North Carolina, enter intangible income (as adjusted) from page 1, Line 5 of Form D-407 that is for the benefit of such resident beneficiaries. Intangible income may include income from interest, dividends, gains, losses, or other intangible property.

Line 4. Income for the Benefit of Resident Beneficiaries from Sources Other than North Carolina. If page 1, Line 5 of Form D-407 includes undistributed income for the benefit of a resident beneficiary that meets the facts and circumstances of Kaestner such that the income is not taxable to North Carolina, enter non-North Carolina source income (as adjusted) from page 1, Line 5 of Form D-407 that is for the benefit of such resident beneficiaries.

Instructions for Form D-407TC, Estates and Trusts Tax Credit Summary

Form D-407TC and, if applicable, Form NC-478, and Form NC-Rehab must be filed by every estate or trust eligible to take a tax credit against its North Carolina income tax liability. **Important:** If the estate or trust claims a tax credit on Form D-407, Line 9a, the estate or trust **MUST** attach Form D-407TC to Form D-407. If the estate or trust does not, the Department may be unable to process the estate and trust's return. Failure to substantiate a tax credit may result in the disallowance of the tax credit.

All tax credits allowed to individual are allowed to estates and trusts except the tax credit for income tax paid to other states or countries by individuals under G.S. 105-153.9. The tax credit for income tax paid to other states or countries by estates and trusts is allowed under G.S. 105-160.4. (*See additional details below.*)

Credits for income taxes paid to other states or countries by estates and trusts. The tax credit for income taxes paid to another state or country under G.S. 105-160.4 must be allocated between the fiduciary and the beneficiaries. To determine the tax credit allowable to the fiduciary, Part 5 must be completed. However, before Part 5 can be completed, gross income (from federal Form 1041, Line 9) on which such tax was paid must be allocated between the fiduciary and the beneficiaries. **Note:** If federal Form 1041, Schedule G, Line 4 reports tax on the S portion of the ESBT, include in gross income the total income reported on ESBT Tax Worksheet, Line 5.

The fiduciary's share and each beneficiary's share of the gross income on which tax has been paid to another state or country and the amount of tax paid on the income is determined by the governing instrument and such amount should be entered on Lines 3 and 4 of the fiduciary and the beneficiary's columns in Part 5, Section A. After allocating to the beneficiaries, enter the fiduciary's share of gross income taxed in another state or country on Part 5, Section B, Line 1. Enter on Part 5, Section B, Line 2 the fiduciary's share of gross income from federal Form 1041, Line 9 (and ESBT Tax Worksheet, Line 5, if any.) Complete the remaining Lines in Part 5, Section B to determine the fiduciary's share of the tax credit. **Note:** If the estate or trust wishes to claim a tax credit for taxes paid to more than one state or country, do not complete Lines 1 through 6 on Form D-407TC, Part 5, Section B. Instead, use the "Out-of-State Tax Credit Worksheet" provided below to determine the amount of allowable tax credit for each state or country.

Out-of-State Tax Credit Worksheet	
<i>(Use a separate worksheet to determine the separate credit for each state or country.)</i>	
1. Fiduciary's share of gross income taxed in another state or country (<i>Specific state or country's portion of gross income from Form D-407TC, Part 5, Section A, Fiduciary Column, Line 3</i>)	1. _____
2. Fiduciary's share of total gross income (<i>See below instructions</i>)	2. _____
3. Percentage of income taxed in another state or country (<i>Divide Line 1 by Line 2</i>)	3. _____
4. Amount of North Carolina tax (<i>From Form D-407, Page 1, Line 8</i>)	4. _____
5. Computed tax credit (<i>Multiply Line 3 by Line 4</i>).....	5. _____
6. Fiduciary's share of tax paid to the other state or country (<i>Specific state or country's portion of tax paid from Form D-407TC, Part 5, Section A, Fiduciary Column, Line 4. Attach copy of the state or country's return and proof of payment.</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-407TC, Part 5, Section B, Line 7a	7. _____

Credits for rehabilitating historic structures. For information on Article 3D, 3H, and 3L, see the 2023 North Carolina Individual Income Tax Instructions, [Form D-401](#), available from the Department's website.

Sunset for tax credit subject to 50% of tax limit. Many of the tax credits subject to 50% of tax available are repealed or designated for sunset. Taxpayers who qualified for these tax credits may continue to take any remaining installments and carryforwards of those tax credits after the sunset date if the taxpayer continues to meet the statutory eligibility requirements for each particular tax credit. (*For more information, see each specific Article.*)

Instructions for Amending Form D-407, Estates and Trusts Income Tax Return

When filing an amended tax return, fill in the "Amended Return" circle located at the top right of Form D-407. Attach any documentation that supports the changes made on the return. If the estate or trust filed Form NC-PE or Form D-407TC with the original Form D-407, the estate or trust **MUST** file the form(s) with the amended Form D-407, even if there is no change to the form(s).

Important: If the amended return results in a change to the information provided to a beneficiary, a corrected Form NC K-1 and NC K-1 Supplemental Schedule (if applicable) must also be filed with the amended Form D-407 and given to each impacted beneficiary.

Lines 1 through 9d. Make any necessary changes to the original amount (original return) or adjusted amount (prior amendments) reported on Form D-407, Lines 1 through 9d, by entering the corrected amounts. **Note:** If you are filling out the handwritten version of Form D-407, and the corrected amount of Line 1, 3, 5, 6, or 7 is negative, fill in the circle located next to line.

Important: You may need to attach a corrected Form NC-PE or corrected Form D-407TC to the amended Form D-407.

If the amount reported on Lines 2 or 4 is different from the amount originally reported, enter the corrected amount. If the correction to the amount(s) is due to correction(s) to amount(s) reported on original Form NC-PE, attached the corrected Form NC-PE to the amended Form D-407.

If the amount reported on Line 9a is different from the amount originally reported, you must complete Form D-407TC and attach the corrected Form D-407TC to the amended Form D-407.

Line 9e. Before making this entry, complete the worksheet on page 6 of these instructions.

Line 10. If the total amount for credits and payments is negative, fill in the circle located next to Line 10 to indicate the amount is negative.

Line 13. If Line 13 reflects an amount due, the estate or trust must complete **Form D-407V Amended, Amended Estates and Trusts Payment Voucher**, if the estate or trust mails a paper check for payment of tax due. Form D-407V Amended is available from the Department's website. The voucher allows the Department to process the amended estates and trusts income tax return payment more accurately and efficiently with fewer errors. Enclose the completed voucher and payment with the estate's or trust's amended tax return. **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.

Lines 15 and 16. If the estate or trust previously contributed part or all of an overpayment to either the N.C. Nongame and Endangered Wildlife Fund or the N.C. Education Endowment Fund, (Form D-407, Line 15 or Line 16), **DO NOT** enter the amount again on the amended return. However, if the amended return reflects an additional overpayment, the estate or trust may contribute that overpayment to either fund by entering the contribution on Line 15 or Line 16, respectively. **The election to contribute an overpayment to the N.C. Nongame and Endangered Wildlife Fund or the N.C. Education Fund cannot be changed after the N.C. partnership return is filed.**

Line 17. Enter the amount of overpayment to be refunded to the estate or trust on Line 17.

Schedule A and Schedule B. Make any necessary changes to the original Form D-407 by showing the corrected amount on the applicable line.

Worksheet for Line 9e (Amended Returns Only)

1. Enter the amount originally reported on Line 9e 1. _____
2. If the amount originally reported on Line 9e was overstated, enter the amount of overstatement as a negative number. Otherwise, enter zero. **For example:** Estate XYZ originally reported \$1,000 on Line 9e. Upon review, it was determined that Estate XYZ should have reported \$600 on Line 9e. When amending its return, Estate XYZ should enter (\$400) on Line 2. 2. _____
3. If the amount originally reported on Line 9e was understated, enter the amount of understatement as a positive number. Otherwise, enter zero. **For example:** Estate XYZ originally reported \$1,000 on Line 9e. Upon review, it was determined that Estate XYZ should have reported \$1,200 on Line 9e. When amending its return, Estate XYZ should enter \$200 on Line 3. 3. _____
4. Add Lines 1 through 3 4. _____
5. Enter the amount originally reported on Line 13 plus any additional income tax paid for the tax year after the original return was filed. If the amount originally reported on Line 13 was not paid when the original return was filed, enter only the amount of tax paid. **Important:** Do not include payments of interest or penalties. 5. _____
6. Add Line 4 and Line 5 6. _____
7. Enter the amount originally reported on Line 14. If the amount originally reported on Line 14 was adjusted by the Department, enter the adjusted amount. **Important:** Do not include interest received on any refund. 7. _____
8. Subtract Line 7 from Line 6. Enter the result on Line 9e. **Important:** If the amount is negative, fill in the circle located next to Line 9e to indicate the amount is negative..... 8. _____