



January 15, 2015

IMPACT OF THE FEDERAL TAX INCREASE PREVENTION ACT OF 2014 ON NORTH CAROLINA'S CORPORATE AND INDIVIDUAL INCOME TAX RETURNS

North Carolina's corporate income tax law uses federal taxable income as the starting point in determining North Carolina taxable income. North Carolina's individual income tax law uses federal adjusted gross income as the starting point in determining North Carolina taxable income. In both cases, the reference to federal law is to the Internal Revenue Code ("Code") as of a certain date. Currently, that reference is to the Code as of December 31, 2013. Each year the General Assembly determines whether to update its reference to the Code. Doing so would make recent amendments to the Code applicable for North Carolina income tax purposes. In some cases, the General Assembly chooses not to follow ("decouple" from) certain amendments to federal law.

On December 19, 2014, President Obama signed into law the Tax Increase Prevention Act of 2014 ("TIPA"). The Act extended several provisions in federal law that had sunset at the end of 2013. If the General Assembly does not update the reference to the Code to December 19, 2014 or later, the extension of those provisions will not apply for North Carolina income tax purposes.

The Revenue Laws Study Committee is charged with studying North Carolina's revenue laws and making recommendations with respect to those laws to the General Assembly. On January 13, 2015, the Revenue Laws Study Committee adopted a recommendation to update the reference to the Code to January 1, 2015 but to decouple from specific provisions in TIPA. The recommended bill may be viewed [here](#).

If the General Assembly enacts legislation to update the Code reference as recommended, North Carolina will require additions on the corporate and individual income tax returns for (a) 85% of the amount deducted as bonus depreciation on the federal return and (b) 85% of the difference between the amount deducted on the federal return for Code section 179 expenses, using the federal dollar and federal investment limitations, and the amount that would be deductible for Code section 179 expenses using the North Carolina dollar and North Carolina investment limitations set out for 2014. For individual income tax returns, additions would also be required for (a) the amount excluded from gross income for the discharge of qualified principal residence indebtedness, (b) the amount deducted in arriving at adjusted gross income for qualified tuition and related expenses, and (c) the amount excluded from gross income for a qualified charitable distribution from an individual retirement plan by a person who has attained age 70 ½. In addition, an individual would also be required to exclude amounts paid for mortgage insurance premiums from the deduction for qualified residence interest if the taxpayer claims itemized deductions on the North Carolina return.

Any person filing a North Carolina income tax return whose 2014 federal taxable income or federal adjusted gross income is impacted by the amendments to federal law included in TIPA should consider waiting to file the 2014 North Carolina income tax return until the General Assembly takes action. A taxpayer who files the 2014 income tax return before the General Assembly takes action may have to amend the return to reflect the General Assembly's action. The General Assembly is scheduled to convene on January 28, 2015. If the General Assembly enacts legislation to update the Code reference, the Department will provide additional guidance, including how to report any required additions on the 2014 returns.

Corporation Tax Return 2014

North Carolina Department of Revenue

Submit forms in the following order: CD-V, NC-478VJ, CD-479, NC-478, NC-478 series, CD-405, followed by CD-425

For calendar year **2014** or
other tax year beginning (MM-DD) - - **14** and ending
(MM-DD-YY) - - DOR
Use Only / /

Legal Name (First 35 Characters)(USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)

Address

City

State

Zip Code

Federal Employer ID Number

Secretary of State ID

NAICS Code

Gross Receipts / Sales

Total Assets per Balance Sheet

☐ Initial Return☐ Amended Return☐ Captive REIT☐ Final Return☐ Tax Exempt-Nonprofit☐ NC-478 is attached☐ Short Year Return☐ Non U.S./Foreign☐ CD-479 is attached☐ Combined Return☐ Fed Sch M-3 is attached☐ Has Escheatable PropertyFill in all
applicable
circles:

N.C. Education Endowment Fund: You may contribute to the N.C. Education Endowment Fund by making a contribution or designating some or all of your overpayment to the Fund. To make a contribution, enclose Form NC-EDU and your payment of \$. To designate your overpayment to the Fund, enter the amount of your designation on Page 2, Line 42. See instructions for information about the Fund.

Computation of Franchise Tax

1. Capital Stock, Surplus, and Undivided Profits
(From Schedule C, Line 13)

2. Investment in N.C. Tangible Property
(From Schedule D, Line 8)

3. Appraised Value of N.C. Tangible Property
(From Schedule E, Line 2)

4. Taxable Amount

Line 1, 2, or 3, whichever is greatest

5. Total Franchise Tax Due

Multiply Line 4 by .0015 (\$1.50 per \$1,000.00 - minimum \$35.00)

6. Payment with Franchise Tax Extension (From Form CD-419, Line 9)

When filing an amended return, see instructions.

7. Tax Credits (From Form CD-425, Part 2, Line 11)

If a tax credit is claimed on Line 7, Form CD-425 **MUST** be attached.

8. Franchise Tax Due - If the sum of Line 6 plus 7 is less than Line 5, enter difference here and on Page 2, Line 33

9. Franchise Tax Overpaid - If the sum of Line 6 plus 7 is more than Line 5, enter difference here and on Page 2, Line 33

**Holding
Company
Exception**
(See instructions)

☐

1. .00

2. .00

3. .00

4. .00

5. .00

6. .00

7. .00

8. \$.00

9. .00

Computation of Corporate Income Tax

10. Federal Taxable Income Before NOL
(From Schedule G, Line 30 or Federal Form 1120, Line 28 minus 29b)

11. Adjustments to Federal Taxable Income
(From Schedule H, Line 5)

12. Net Income Before Contributions
Add (or subtract) Lines 10 and 11

13. Contributions to Donees Outside N.C.
(From Schedule I, Line 1c)

14. N.C. Taxable Income
Line 12 minus Line 13

15. Nonapportionable Income
(From Schedule N, Line 1)

16. Apportionable Income
Line 14 minus Line 15

17. Apportionment Factor - Enter to four decimal places
(From Schedule O, Part 1; Part 2 - Line 15; Part 3; or Part 4)

18. Income Apportioned to N.C.
Multiply Line 16 by factor on Line 17

19. Nonapportionable Income Allocated to N.C.
(From Schedule N, Line 2)

20. Income Subject to N.C. Tax
Add Lines 18 and 19

21. Percentage Depletion over Cost Depletion on N.C. Property
(See Instructions)

If amount on Line 10-12, Example:
14-16, or 18-20
is negative, fill in circle. ☒

6300106016

10. ☐ .00

11. ☐ .00

12. ☐ .00

13. ☐ .00

14. ☐ .00

15. ☐ .00

16. ☐ .00


17. %



18. ☐ .00

19. ☐ .00

20. ☐ .00

21. .00

(B) Computation of Corporate Income Tax	22. Net Economic Loss (Attach schedule)	If amount on Line 23 or 25 is negative fill in circle. Example: 	▶ 22.	_____	.00	
	23. Income Before Contributions to N.C. Donees Line 20 minus Lines 21 and 22		23. <input type="radio"/>	_____	.00	
	24. Contributions to N.C. Donees (From Schedule I, Line 2e)		▶ 24.	_____	.00	
	25. Net Taxable Income Line 23 minus Line 24			25. <input type="radio"/>	_____	.00
	26. N.C. Net Income Tax Multiply Line 25 by 6.0%			▶ 26.	_____	.00
	27. Annual Report Fee			▶ 27.	_____	.00
	28. Add Lines 26 and 27			28.	_____	.00
	29. Payments and Credits When filing an amended return, see instructions.					
	a. Application for Income Tax Extension (From Form CD-419, Line 10)			▶ 29a.	_____	.00
	b. 2014 Estimated Tax			▶ 29b.	_____	.00
	c. Partnership (If a partnership payment is claimed on Line 29c, a copy of the NC K-1 MUST be attached.)			▶ 29c.	_____	.00
	d. Nonresident Withholding (Include copy of 1099 or W-2)			▶ 29d.	_____	.00
	e. Tax Credits (From Form CD-425, Part 4, Line 25) If a tax credit is claimed on Line 29e, Form CD-425 MUST be attached.			▶ 29e.	_____	.00
30. Add Lines 29a through 29e			30.	_____	.00	
31. Income Tax Due - If Line 30 is less than Line 28, enter difference here and on Line 34, below			31. \$	_____	.00	
32. Income Tax Overpaid - If Line 30 is more than Line 28, enter difference here and on Line 34, below			▶ 32.	_____	.00	

Tax Due or Refund	33. Franchise Tax Due or Overpayment (From Schedule A, Line 8 or 9)	If amount on Line 33-35 is an overpayment fill in circle. Example: 	33. <input type="radio"/>	_____	.00	
	34. Income Tax Due or Overpayment (From Schedule B, Line 31 or 32)		34. <input type="radio"/>	_____	.00	
	35. Balance of Tax Due or Overpayment Add (or subtract) Lines 33 and 34		35. <input type="radio"/>	_____	.00	
	36. Underpayment of Estimated Income Tax (Enter letter in exceptions box, if applicable. See instructions.)	Exception to Underpayment of Estimated Tax ▶ 		▶ 36.	_____	.00
	37. a. Interest	b. Penalties	(Add Lines 37a and 37b and enter the total on Line 37c)	37c.	_____	.00
	▶ _____ .00	▶ _____ .00				
	38. Total Due - Add Lines 35, 36, and 37c and enter result here, but not less than zero. If less than zero, enter amount on Line 39. Pay online. Go to www.dornc.com and click on E-Services .	Pay in U.S. Currency From a Domestic Bank		38.	_____	.00
	39. Overpayment			39.	_____	.00
	40. Amount of Line 39 applied to 2015 Estimated Income Tax			▶ 40.	_____	.00
	41. Amount of Line 39 contributed to N.C. Nongame and Endangered Wildlife Fund			▶ 41.	_____	.00
	42. Amount of Line 39 contributed to N.C. Education Endowment Fund			▶ 42.	_____	.00
	43. Amount to be Refunded Line 39 minus Lines 40, 41, and 42			▶ 43.	_____	.00

Signature and Title of Officer: _____

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

Date: _____

Corporate Telephone Number: _____

(Important: Include Area Code)

Signature of Paid Preparer: _____

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

Preparer's ☐ FEIN ☐ SSN ☐ PTIN: _____

(Fill in applicable circle)

(C) Capital Stock, Surplus, and Undivided Profits

1. Total capital stock outstanding less cost of treasury stock	1. _____ .00
2. Paid-in or capital surplus	2. _____ .00
3. Retained earnings (earned surplus and undivided profits)	3. _____ .00
4. Other surplus	4. _____ .00
5. Deferred or unearned income	5. _____ .00
6. Allowance for bad debts	6. _____ .00
7. LIFO reserves	7. _____ .00
8. Other reserves that do not represent definite and accrued legal liabilities (Attach schedule)	8. _____ .00
9. Add Lines 1 through 8 and enter total	9. _____ .00
10. Affiliated indebtedness (Attach schedule) _____	10. _____ .00
11. Line 9 plus (or minus) Line 10	11. _____ .00
12. Apportionment factor (From Schedule O, Part 1; Part 2 - Line 15; Part 3; or Part 4)	12. _____ %
13. Capital Stock, Surplus, and Undivided Profits Multiply Line 11 by factor on Line 12 and enter result here and on Schedule A, Line 1. If amount on Line 13 is less than zero, enter zero on Schedule A, Line 1.	13. .00

(D) Investment in N.C. Tangible Property

1. Total value of inventories located in N.C. <small>Inventory valuation method:</small> <input type="radio"/> FIFO <input type="radio"/> Lower of cost or market <input type="radio"/> Other _____ <small>(LIFO valuation not permitted)</small>	1. _____ .00
2. Total value of furniture, fixtures, and machinery and equipment located in N.C.	2. _____ .00
3. Total value of land and buildings located in N.C.	3. _____ .00
4. Total value of leasehold improvements and other tangible property located in N.C.	4. _____ .00
5. Add Lines 1 through 4 and enter total	5. _____ .00
6. Accumulated depreciation, depletion, and amortization with respect to N.C. tangible property	6. _____ .00
7. Debts existing for the purchase or improvement of N.C. real estate	7. _____ .00
8. Investment in N.C. Tangible Property Line 5 minus Lines 6 and 7; enter amount here and on Schedule A, Line 2	8. .00

(E) Appraised Value of N.C. Tangible Property

1. Total appraised value of all N.C. tangible property, including motor vehicles <small>(If tax year ends December 31, 2014 through September 30, 2015, enter the appraised county tax value of all real and tangible property located in N.C. as of January 1, 2014, including any motor vehicles assessed during the tax year. Otherwise, enter value as of January 1, 2015.)</small>	1. _____ .00
2. Appraised Value of N.C. Tangible Property Multiply Line 1 by 55%; enter here and on Schedule A, Line 3	2. .00

(F) Other Information - All Taxpayers Must Complete this Schedule

1. State of incorporation _____ Date incorporated _____
2. Date Certificate of Authority was obtained from N.C. Secretary of State _____
3. Regular or principal trade or business in N.C. _____ Everywhere _____
4. Principal place from which business is directed or managed _____
5. What was the last year the IRS redetermined the corporation's federal taxable income? _____
6. Were the adjustments reported to N.C.? <input type="radio"/> Yes <input type="radio"/> No If so, when? _____
7. Does this corporation finance or discount its receivables through a related or an affiliated company? <input type="radio"/> Yes <input type="radio"/> No
8. Is this corporation subject to franchise tax but not N.C. income tax because the corporation's income tax activities are protected under P.L. 86-272? (Attach detailed explanation) <input type="radio"/> Yes <input type="radio"/> No
9. Officers' names and addresses:
President _____ Secretary _____
Vice-President _____ Treasurer _____

Ⓒ Federal Taxable Income Before NOL Deduction

Complete this schedule if you do not attach a copy of your federal income tax return.

1. a. Gross receipts or sales	_____	.00
b. Returns and allowances	_____	.00
c. Balance (Line 1a minus Line 1b)	_____	.00
2. Cost of goods sold (Attach schedule)	_____	.00
3. Gross Profit (Line 1c minus Line 2)	_____	.00
4. Dividends (Attach schedule)	_____	.00
5. a. Interest on obligations of the United States and its instrumentalities	_____	.00
b. Other interest	_____	.00
6. Gross rents	_____	.00
7. Gross royalties	_____	.00
8. Capital gain net income (Attach schedule)	_____	.00
9. Net gain (loss) (Attach schedule)	_____	.00
10. Other income (Attach schedule)	_____	.00
11. Total Income Add Lines 3 through 10	_____	.00
12. Compensation of officers (Attach schedule)	_____	.00
13. Salaries and wages (Less employment credits)	_____	.00
14. Repairs and maintenance	_____	.00
15. Bad debts	_____	.00
16. Rents	_____	.00
17. Taxes and licenses	_____	.00
18. Interest	_____	.00
19. Charitable contributions	_____	.00
20. a. Depreciation _____		
b. Depreciation included in cost of goods sold _____		
c. Balance (Line 20a minus Line 20b)	_____	.00
21. Depletion	_____	.00
22. Advertising	_____	.00
23. Pension, profit-sharing, and similar plans	_____	.00
24. Employee benefit programs	_____	.00
25. Domestic production activities deduction	_____	.00
26. Other deductions (Attach schedule)	_____	.00
27. Total Deductions Add Lines 12 through 26	_____	.00
28. Taxable Income per Federal Return Before NOL and Special Deductions Line 11 minus Line 27	_____	.00
29. Special Deductions (From Federal Form 1120, Line 29b)	_____	.00
30. Federal Taxable Income Before NOL Line 28 minus Line 29; enter amount here and on Schedule B, Line 10	_____	.00

Ⓓ Adjustments to Federal Taxable Income

1. Additions:	
a. Taxes based on net income	_____ .00
b. Dividends paid by captive REITs	_____ .00
c. Contributions	_____ .00
d. Royalties paid to related members (See instructions)	_____ .00
e. Expenses attributable to income not taxed (See instructions)	_____ .00
f. Domestic production activities deduction (From Schedule G, Line 25)	_____ .00
g. Other (Attach explanation or schedule)	_____ .00
2. Total Additions (Add Lines 1a-1g)	_____ .00
3. Deductions:	
a. U.S. obligation interest (net of expenses)	_____ .00
b. Other deductible dividends (See instructions)	_____ .00
c. Dividends received from captive REITs	_____ .00
d. Royalties received from related members (See instructions)	_____ .00
e. Interest on deposits with FHLB (net of expenses) S&L's only	_____ .00
f. Bonus depreciation (See instructions)	_____ .00
g. Section 179 expense deduction	_____ .00
h. Other (Attach explanation or schedule)	_____ .00
4. Total Deductions (Add Lines 3a-3h)	_____ .00
5. Adjustments to Federal Taxable Income Line 2 minus Line 4, enter amount here and on Schedule B, Line 11	_____ .00

Ⓔ Contributions

1. Contributions to Donees Outside N.C.	
a. Enter total contributions to donees outside N.C.	_____ .00
b. Multiply the amount shown on Schedule B, Line 12 by 5% if Line 12 is greater than zero. Otherwise, enter zero here.	_____ .00
c. Amount Deductible Enter the lesser of Line 1a or 1b here and on Schedule B, Line 13	_____ .00
2. Contributions to N.C. Donees	
a. Enter total contributions to N.C. donees other than those listed in Line 2d, below	_____ .00
b. Multiply the amount shown on Schedule B, Line 23 by 5% if Line 23 is greater than zero. Otherwise, enter zero here.	_____ .00
c. Enter the lesser of Line 2a or 2b	_____ .00
d. Enter total contributions to the State of N.C. and its political subdivisions	_____ .00
e. Amount Deductible Add Lines 2c and 2d; enter total here and on Schedule B, Line 24	_____ .00

Ⓕ Explanation of Changes for Amended Return

Attach additional sheets if necessary

Note: The letter K is not used to designate a schedule.

		Beginning of Tax Year		End of Tax Year	
L Balance Sheet per Books	Assets				
	1. Cash				
	2. a. Trade notes and accounts receivable				
	b. Less allowance for bad debts	()		()	
	3. Inventories				
	4. a. U.S. government obligations				
	b. State and other obligations				
	5. Tax-exempt securities				
	6. Other current assets (<i>Attach schedule</i>)				
	7. Loans to shareholders				
	8. Mortgage and real estate loans				
	9. Other investments (<i>Attach schedule</i>)				
	10. a. Buildings and other depreciable assets				
	b. Less accumulated depreciation	()		()	
	11. a. Depletable assets				
b. Less accumulated depletion	()		()		
12. Land (<i>net of any amortization</i>)					
13. a. Intangible assets (<i>amortizable only</i>)					
b. Less accumulated amortization	()		()		
14. Other assets (<i>Attach schedule</i>)					
15. Total Assets					
	Liabilities and Shareholders' Equity				
	16. Accounts payable				
	17. Mortgages, notes, and bonds payable in less than 1 year				
	18. Other current liabilities (<i>Attach schedule</i>)				
	19. Loans from shareholders				
	20. Mortgages, notes, and bonds payable in 1 year or more				
	21. Other liabilities (<i>Attach schedule</i>)				
	22. Capital stock: a. Preferred Stock				
	b. Common Stock				
	23. Additional paid-in capital				
	24. Retained earnings – Appropriated (<i>Attach schedule</i>)				
	25. Retained earnings – Unappropriated				
	26. Adjustments to shareholders' equity (<i>Attach schedule</i>)				
27. Less cost of treasury stock		()		()	
28. Total Liabilities and Shareholders' Equity					
M-1 Reconciliation of Income (Loss) per Books With Return	1. Net income (loss) per books		7. Income recorded on books this year not included on this return (<i>itemize</i>):		
	2. Federal income tax		Tax-exempt interest \$		
	3. Excess of capital losses over capital gains				
	4. Income subject to tax not recorded on books this year (<i>itemize</i>):				
	5. Expenses recorded on books this year not deducted on this return (<i>itemize</i>):		8. Deductions on this return not charged against book income this year (<i>itemize</i>):		
	a. Depreciation \$		a. Depreciation \$		
b. Charitable Contributions \$		b. Charitable Contributions \$			
c. Travel and entertainment \$					
6. Add Lines 1 through 5		9. Add Lines 7 and 8			
		10. Income (<i>Line 6 minus Line 9</i>)			
M-2 Retained Earnings Analysis	1. Balance at beginning of year		5. Distributions: a. Cash		
	2. Net income (loss) per books		b. Stock		
	3. Other increases (<i>itemize</i>):		c. Property		
	4. Add Lines 1, 2, and 3		6. Other decreases (<i>itemize</i>):		
		7. Add Lines 5 and 6			
		8. Balance at End of Year (<i>Line 4 minus Line 7</i>)			

Complete this schedule only if you apportion income to North Carolina and to other states **AND** you have income classified as nonapportionable income. See the instructions for an explanation of what is **apportionable income** and what is **nonapportionable income**.

Nonapportionable Income

(A) Nonapportionable Income	(B) Gross Amounts	(C) Related Expenses*	(D) Net Amounts (Column B minus Column C)	(E) Net Amounts Allocated Directly to N.C.

1. **Nonapportionable Income** (Enter the total of Column D here and on Schedule B, Line 15) .00
2. **Nonapportionable Income Allocated to N.C.** (Enter the total of Column E here and on Schedule B, Line 19) .00

Explanation of why income listed in chart is nonapportionable income rather than apportionable income:

(Attach additional sheets if necessary)

* For an acceptable means of computing related expenses, see 17 N.C.A.C. 5C .0304.

Computation of Apportionment Factor

Part 1. Domestic and Other Corporations Not Apportioning Franchise or Income Outside N.C.

Enter 100% on Schedule B, Line 17 and Schedule C, Line 12

100.0000 %

Part 2. Corporations Apportioning Franchise or Income to N.C. and to Other States

Note: Apportionment factors **must be calculated 4 places to the right of the decimal**.

Example: 99.9999 %

	1. Within North Carolina		2. Total Everywhere		Factor
	(a) Beginning Period	(b) Ending Period	(a) Beginning Period	(b) Ending Period	
1. Land					
2. Buildings					
3. Inventories					
4. Other property					
5. Total (Add Lines 1-4)					
6. Average value of property Add amounts on Line 5 for (a) and (b); divide by 2					
7. Rented property (Multiply annual rents by 8)					
8. Property Factor (Add Lines 6 and 7; divide Column 1 by Column 2 and enter factor)					%
9. Gross payroll					
10. Compensation of general executive officers					
11. Payroll Factor (Line 9 minus Line 10; divide Column 1 by Column 2 and enter factor)					%
12. Sales Factor (Attach schedule) Divide Column 1 by Column 2 and enter factor					
13. Sales Factor (Enter the same factor as on Line 12)					%
14. Total of Factors (Add Lines 8, 11, 12, and 13)					%
15. N.C. Apportionment Factor (Divide Line 14 by the number of factors present; enter result here, on Schedule B, Line 17, and Schedule C, Line 12)					%

Part 3. Corporations Apportioning Franchise or Income to N.C. and to Other States Using Single Sales Factor

Excluded corporations, qualified capital intensive corporations, and certain public utilities must apportion North Carolina franchise and corporate income tax using the sales factor alone. These corporations need not complete the property and payroll factor sections of this Schedule. Enter the sales factor from Line 12 here, on Schedule B, Line 17, and on Schedule C, Line 12. (See instructions and G.S.105 -130.4 for more information.)

%

Part 4. Special Apportionment

Special apportionment formulas apply to certain types of corporations such as telephone companies, motor carriers, and railroad companies. If you use a special apportionment formula, enter the computed apportionment factor here, on Schedule B, Line 17, and on Schedule C, Line 12. (See instructions and G.S.105 -130.4 for more information.)

%