

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.

## 2014 Partnership Income Tax Return

North Carolina Department of Revenue

For calendar year **2014**, or fiscal year beginning (MM-DD) \_\_\_\_\_ - \_\_\_\_\_ - **14** and ending (MM-DD-YY) \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Legal Name (USE CAPITAL LETTERS FOR NAME AND ADDRESS)

Legal Name Continued

Federal Employer ID Number

If LLC, Enter N.C. Secretary of State ID

Fill in all applicable circles:

- ☐ Initial Return  
☐ Amended Return  
☐ Final Return  
☐ Entity is Partnership  
☐ Entity is LLC  
☐ Entity has Nonresident Owners  
☐ NC-NPA Forms attached  
☐ NC-478 is attached

Address

Apartment Number

City

State

Zip Code

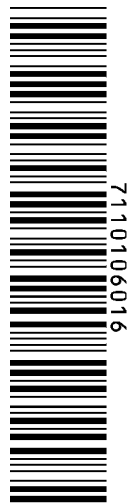
County (Enter first five letters)

**Part 1. Computation of Income Tax Due or Refund** (See Form D-403A, Instructions for Partnership Income Tax Return.)**1. Enter the total income or loss** (Add Lines 1 through 11 of Schedule K, Federal Form 1065)**2. Guaranteed payments to partners** (See instructions)**3. Line 1 minus Line 2****4. Additions to income** (From Part 4, Line 3)**5. Add Lines 3 and 4****6. Deductions from income** (From Part 4, Line 8). The total additions and deductions on Lines 4 and 6 should be allocated to the individual partners in Part 3, Section A of this form.**7. Net distributive partnership income** (Line 5 minus Line 6)**8. Nonapportionable net distributive partnership income** (From Part 5, Line 1)**9. Apportionable net distributive partnership income** (Line 7 minus Line 8)**10. Nonapportionable net distributive partnership income allocated to North Carolina** (From Part 5, Line 2)**11. Tax due for nonresident partners** (Add the amounts on Part 3, Line 18 for each partner)**12. Tax credits allocated to nonresident partners** (Add the amounts on Part 3, Line 19 for each partner)**13. Net tax due for nonresident partners** (Add the amounts on Part 3, Line 20 for each partner)**14. Tax paid with extension****15. Other prepayments of tax** (If filing an amended return, see instructions)**16. Tax paid by other partnerships or by S corporations and tax withheld from personal services income** (See instructions)**17. Add Lines 14 through 16****18. Total tax due for nonresident partners** (If Line 13 is more than Line 17, subtract and enter the result.)**19. 19a. Penalties****19b. Interest**

(Add Lines 19a and 19b and enter the total on Line 19c)

**19c.****20. Total Due for nonresident partners** (Add Lines 18 and 19c and enter the result. The manager of the partnership must pay this amount with the return.)**21. Amount to be Refunded** (If net tax due on Line 13 is less than Line 17, subtract and enter the result.)

1.	<input type="radio"/>	_____	.00
2.		_____	.00
3.	<input type="radio"/>	_____	.00
4.		_____	.00
5.	<input type="radio"/>	_____	.00
6.		_____	.00
7.	<input type="radio"/>	_____	.00
8.	<input type="radio"/>	_____	.00
9.	<input type="radio"/>	_____	.00
10.	<input type="radio"/>	_____	.00
11.		_____	.00
12.		_____	.00
13.		_____	.00
14.		_____	.00
15.		_____	.00
16.		_____	.00
17.		_____	.00
18.		_____	.00
19c.		_____	.00
20.	\$	_____	.00
21.		_____	.00



Legal Name (First 10 Characters)

Federal Employer ID Number

**Part 2. Apportionment Percentage for Partnerships That Have One or More Nonresident Partners and Operate in North Carolina and in One or More Other States**

See Form D-403A, Instructions for Partnership Income Tax Return

**A**

	1. Within North Carolina		2. Total Everywhere		
	(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)					<b>Factor</b>
8. <b>Property Factor</b> Add Lines 6 and 7; divide Column 1 by Column 2 and enter factor					%
9. Gross payroll					
10. Compensation of general executive officers					
11. <b>Payroll Factor</b> Line 9 minus Line 10; divide Column 1 by Column 2 and enter factor					%
12. <b>Sales Factor</b> (Attach schedule) Divide Column 1 by Column 2 and enter factor					%
13. <b>Sales Factor</b> Enter the same factor as on Line 12					%
14. <b>Total of Factors</b> Add Lines 8, 11, 12, and 13					%
15. <b>N.C. Apportionment Percentage</b> Divide Line 14 by the number of factors present; enter result here and on Part 3, Line 12 for each nonresident partner					%

**B****Partnerships Apportioning Income to N.C. and to Other States Using Single Sales Factor**

Partnerships that would meet the definition of "excluded corporation" or the definition of "capital intensive corporation" in G.S. 105-130.4 if they were corporations and certain public utilities treated as partnerships must apportion North Carolina income tax using the sales factor alone. These partnerships need not complete the property and payroll factor sections above. Enter the sales factor from Line 12 here and on Part 3, Line 12 for each nonresident partner.

 %
**C****Special Apportionment**

Special apportionment formulas apply to certain types of partnerships such as telephone companies, motor carriers, and railroad companies. If you use a special apportionment formula, enter the computed apportionment factor here and on Part 3, Line 12 for each nonresident partner.

 %

Legal Name (First 10 Characters)

**Important**If more than three partners, include separate  
schedule for additional partners.

Federal Employer ID Number

**Part 3. A. Partners' Shares of Income, Adjustments, Tax Credits, and Other Items**

Complete Lines 1 through 8 for all partners.

**B. Computation of North Carolina Taxable Income for Nonresident Partners**

Complete Lines 9 through 17 for all nonresident partners.

**C. Computation of Tax Due for Nonresident Partners on Whose Behalf the Partnership Pays the Tax**

Complete Lines 18 through 20.

A	Partner 1	Partner 2	Partner 3
Attach other pages if needed.			
1. Identifying Number			
2. Name			
3. Address			
4. Partner's share percentage			
5. Type of partner (Ex: Ind., Corp., Part.)			
6. Additions to income (loss) (To Form NC K-1, Line 2)			
7. Deductions from income (loss) (To Form NC K-1, Line 3)			
8. Share of Tax Credits (To Form NC K-1, Line 4)			
9. Guaranteed payments to nonresident partners applicable to income on Part 1, Line 9			
10. Percentage from Line 4 times amount on Part 1, Line 9			
11. Add Lines 9 and 10			
12. Apportionment percentage from Part 2A, Line 15; Part 2B; or Part 2C			
13. Multiply Line 11 by Line 12			
14. Guaranteed payments to nonresident partners applicable to income on Part 1, Line 10			
15. Percentage from Line 4 times amount on Part 1, Line 10			
16. Separately stated items of income attributable to nonresident partners			
17. North Carolina taxable income (Add Lines 13, 14, 15, and 16)			
18. Tax Due (Multiply Line 17 by 5.8%)			
19. Tax credits allocated to nonresident partners from Line 8 above			
20. Net Tax Due (Line 18 minus Line 19)			
C			

NC-NPA Form attached  
☐ Yes ☐ NoNC-NPA Form attached  
☐ Yes ☐ NoNC-NPA Form attached  
☐ Yes ☐ No**Important:** The Partnership must provide each Partner an NC K-1 for Form D-403 or other information  
necessary for the Partner to prepare the appropriate North Carolina Tax Return.

Legal Name (First 10 Characters)

Federal Employer ID Number

**Part 4. North Carolina Adjustments to Income** (See instructions)**Additions to Income**

1. Interest income from obligations of states other than North Carolina 1.  .00
2. Other additions to income (See Form D-401, Individual Income Tax Instructions, for other additions that may be applicable to partnerships) 2.  .00
3. Total additions to income (Add Lines 1 and 2 and enter total here and on Part 1, Line 4) 3.  .00

**Deductions from Income**

4. Interest income from obligations of the United States or United States' possessions 4.  .00
5. State, local, or foreign income tax refunds reported as income on federal return 5.  .00
6. Adjustment for bonus depreciation added back in 2009, 2010, 2011, 2012, and 2013 (Add Lines 6a, 6b, 6c, 6d, and 6e, and enter total on Line 6f)
- 6a. 2009  .00 6b. 2010  .00 6c. 2011  .00 6d. 2012  .00 6e. 2013  .00
- 6f.  .00
7. Other deductions from income (See Form D-401, Individual Income Tax Instructions, for other deductions that may be applicable to partnerships) 7.  .00
8. Total deductions from income (Add Lines 4, 5, 6f, and 7 and enter total here and on Part 1, Line 6) 8.  .00

**Part 5. Nonapportionable Net Distributive Partnership Income**

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.

(A) Nonapportionable Net Distributive Partnership Income	(B) Net Income from Activity	(C) Net Income Allocated Directly to N.C.
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>1. Nonapportionable Income</b> (Enter the total of Column B here and on Part 1, Line 8)	<input type="text"/> .00	<input type="text"/>
<b>2. Nonapportionable Income Allocated to N.C.</b> (Enter the total of Column C here and on Part 1, Line 10)	<input type="text"/>	<input type="text"/> .00

**Explanation** of why income listed in chart is nonapportionable income rather than apportionable income: (Attach additional sheets if necessary)

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

If prepared by a person other than the managing partner, this certification is based on all information of which preparer has any knowledge.

Signature of Managing Partner

Date

Signature of Preparer Other Than Managing Partner

Date

Daytime Telephone Number (Include area code)

Address

If entity is an LLC and it converted to an LLC during the tax year, enter entity name prior to conversion:

Preparer's Daytime Telephone Number (Include area code)

☐ FEIN ☐ SSN ☐ PTIN:

(Fill in applicable circle)

Preparer's FEIN, SSN, or PTIN

**MAIL TO:** North Carolina Department of Revenue, P.O. Box 25000, Raleigh, North Carolina 27640-0640