April 13, 2016

IMPACT OF THE FEDERAL PROTECTING AMERICANS FROM TAX HIKES ACT OF 2015 ON NORTH CAROLINA'S CORPORATE AND INDIVDUAL INCOME TAX RETURNS FOR TAX YEAR 2015

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 January 1, 2015. 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 ("decouples" from) certain amendments to federal law.

On December 18, 2015, President Obama signed into law the Protecting Americans From Tax Hikes Act of 2015 ("PATH"). The Act extended several provisions in federal law that had sunset at the end of 2014. Some provisions were extended through the end of 2016 while other provisions were made permanent. The Act also included new tax reduction provisions. If the General Assembly does not update the reference to the Code to December 18, 2015 or later, neither the extension of those provisions that had sunset at the end of 2014 nor the new tax reduction provisions will 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 March 8, 2016, the Revenue Laws Study Committee adopted a recommendation to update the reference to the Code to January 1, 2016 but to decouple from specific provisions in PATH. 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 tax year 2015 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 for 2015. For tax year 2015 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 lieu of the exclusion from gross income, an individual can include the amount of the qualified charitable distribution in the deduction for charitable contributions if the taxpayer elects to deduct itemized deductions on the North Carolina individual income tax return. 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 required to file a North Carolina income tax return whose 2015 federal taxable income or federal adjusted gross income is impacted by the amendments to federal law included in PATH should consider waiting to file the 2015 North Carolina income tax return until the General Assembly takes action. A taxpayer who files the 2015 income tax return before the General Assembly takes action may have to amend the return to reflect the General Assembly's action. Please note that the General Assembly is scheduled to convene on April 25, 2016. A taxpayer whose income tax return is statutorily due on Friday, April 15, 2016 has until Monday, April 18, 2016 to timely file the return and pay any income tax due because Emancipation Day is observed on April 15, 2016. A taxpayer with a tax return due on April 15, 2016 who chooses to wait for legislation to be enacted should, by April 18, 2016, file an application for an extension of six months to file the income tax return. If a timely application for an extension is filed, the return will be considered timely filed if filed by Monday, October 17, 2016.

If the General Assembly enacts legislation to update the Code reference, the Department will provide additional guidance, including how to report any required additions or deductions on the 2015 return.

Staple All Pages of Your Return Here.

NCDOR
Web-Fill
10-15

D-400 Individual Income Tax Return 2015

IMPORTANT: Do not send a photocopy of this form. The original form is printed in pink and black ink.

PRINT | CLEAR

AMENDED RETURN
Fill in circle. *(See instructions.)*

For calendar year **2015,** or fiscal year beginning *(MM-DD-YY)* and ending *(MM-DD-YY)*

Your Social Security Number

You must enter your social security number(s).

Spouse's Social Security Number

Your First Name *(USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)* M.I. Your Last Name

If a Joint Return, Spouse's First Name M.I. Spouse's Last Name

Mailing Address Apartment Number

City State Zip Code Country *(If not U.S.)* County *(Enter first five letters)*

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 31. See instructions for information about the Fund.

Fill in circle if you or your spouse were out of the country on April 15 and a U.S. citizen or resident.

Deceased Taxpayer Information

Fill in circle if return is filed and signed by Executor, Administrator or Court-Appointed Personal Representative.

Enter date of death of deceased taxpayer or deceased spouse.
Taxpayer *(MM-DD-YY)* Spouse *(MM-DD-YY)*

Residency Status

Were you a resident of N.C. for the entire year of 2015? Yes No
Was your spouse a resident for the entire year? Yes No

*If **No**, complete Lines 1 through 12. Then go to Part D of Schedule S. Fill in residency information and complete Lines 21 through 23.*

Did you claim the standard deduction on your 2015 federal return? Yes No

Filing Status

1. **Single** **Fill in one circle only.** *(See instructions.)*
2. **Married Filing Jointly**
3. **Married Filing Separately** *(Enter your spouse's full name and Social Security Number.)* Name SSN
4. **Head of Household**
5. **Qualifying Widow(er) with Dependent Child** (Year spouse died:)

Enter Whole U.S. Dollars Only

6. Adjusted gross income from your federal return *(If negative, see instructions.)* 6.

7. Additions to federal adjusted gross income *(From Line 4 of Form D-400 Schedule S, Part A)* 7.

8. Add Lines 6 and 7. 8.

9. Deductions from federal adjusted gross income *(From Line 12 of Form D-400 Schedule S, Part B)* 9.

10. Subtract Line 9 from Line 8. 10.

11. **N.C. standard deduction** **OR** **N.C. itemized deductions**
Fill in one circle only. (If itemizing, complete Part C of Form D-400 Schedule S, and enter the amount from Line 20.) 11.

12. Subtract Line 11 from Line 10. 12.

13. Part-year residents and nonresidents *(From Line 23 of Form D-400 Schedule S, Part D)* 13.

14. North Carolina Taxable Income
Full-year residents enter the amount from Line 12.
Part-year residents and nonresidents multiply amount on Line 12 by the decimal amount on Line 13. 14.

15. North Carolina Income Tax
To calculate your tax, multiply Line 14 by 5.75% (0.0575). If Line 14 is negative, enter -0- on Line 15. 15.

Staple W-2s Here.

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Last Name *(First 10 Characters)*

Tax Year
2015
Be sure to sign and date your return below.

Your Social Security Number

16. Tax Credits *(From Form D-400TC, Part 3, Line 19* ***- You must attach Form D-400TC if you enter an amount on this line.)*** ▶ 16.

17. Subtract Line 16 from Line 15. 17.

18. Consumer Use Tax *(See instructions.)* If you certify that no Consumer Use Tax is due, fill in circle. ▶ ○ ▶ 18.

19. Add Lines 17 and 18. 19.

20. North Carolina Income Tax Withheld a. Your tax withheld ▶ b. Spouse's tax withheld ▶

21. Other Tax Payments a. 2015 estimated tax ▶ b. Paid with extension ▶ c. Partnership ▶ d. S Corporation ▶

If you claim a partnership payment on Line 21c or S corporation payment on Line 21d, you must attach a copy of the NC K-1.

22. Amended Returns Only - Previous payments *(See Amended Returns in instructions.)* 22.

23. Total Payments - Add Lines 20a through 22. 23.

24. Amended Returns Only - Previous refunds *(See Amended Returns in instructions.)* 24.

25. Subtract Line 24 from Line 23. 25.

26. a. Tax Due - If Line 19 is more than Line 25, subtract Line 25 from Line 19. *(If Line 25 is negative, see instructions.)* ▶ 26a.

b. Penalties ▶ **c.** Interest ▶ *(Add Lines 26b and 26c and enter the total on Line 26d.)* 26d.

e. Interest on the underpayment of estimated income tax *(See instructions and enter letter in box, if applicable.)* → **Exception to underpayment of estimated tax** ▶ ▶ 26e.

27. Add Lines 26a, 26d, and 26e. **Pay This Amount -** ***You can pay online. Go to www.dornc.com and click on eServices for details.*** 27. $

28. Overpayment - If Line 19 is less than Line 25, subtract Line 19 from Line 25. 28.

When filing an amended return, see instructions.

29. Amount of Line 28 to be applied to **2016 Estimated Income Tax** ▶ 29.

30. Contribution to the **N.C. Nongame and Endangered Wildlife Fund** ▶ 30.

31. Contribution of overpayment to the **N.C. Education Endowment Fund** ▶ 31.

32. Add Lines 29, 30, and 31. 32.

33. Subtract Line 32 from Line 28. This is the **Amount To Be Refunded.** ***For direct deposit, file electronically. Go to www.dornc.com and click on eServices.*** ▶ 33.

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Sign Here

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

Your Signature Date

Spouse's Signature *(If filing joint return, both must sign.)* Date

Home Telephone Number *(Include area code.)* ▶

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

Paid Preparer's Signature Date

Preparer's FEIN, SSN, or PTIN ▶

Preparer's Telephone Number *(Include area code.)* ▶

If REFUND mail return to: N.C. DEPT. OF REVENUE
P.O. BOX R
RALEIGH, NC 27634-0001

FOR ORIGINAL RETURNS ONLY

If you ARE NOT due a refund, mail return, any payment, and D-400V to: N.C. DEPT. OF REVENUE
P.O. BOX 25000
RALEIGH, NC 27640-0640