

2013

North Carolina Individual Income Tax Instructions for Form D-400



Make it Easy on
Yourself...

File Your
Return
Electronically!

Declaración
Electrónica
(EN ESPAÑOL)

EASY · CONVENIENT · SAFE

New for 2013

- North Carolina does not recognize same-sex marriage. (See Page 4)
- North Carolina updated the reference to the Internal Revenue Code from January 1, 2012 to January 2, 2013 with certain exceptions.
- Certain taxpayers are required to make an addition to federal itemized deductions when determining their North Carolina itemized deductions. The North Carolina General Assembly did not adopt the federal provision which extended mortgage insurance premiums through 2013. (See Page 8)
- An addition is required on the 2013 income tax return for taxpayers claiming the federal tuition and fees deduction. (See page 13)
- An addition is required on the 2013 income tax return for taxpayers claiming bonus depreciation and section 179 expense deduction. (See Page 13)
- A deduction is allowed for individuals who added back bonus depreciation and section 179 expense deduction on their 2012 income tax return. (See Page 15)
- North Carolina no longer allows a deduction for taxpayers who elected to claim the American Opportunity, Hope, or Lifetime Learning credit on their federal return.
- The State Earned Income Tax Credit has changed from 5 percent to 4.5 percent of the federal credit.
- Taxpayers may no longer make designations on their individual income tax return to the N.C. Political Parties Financing Fund or N.C. Public Campaign Fund.

N.C. DEPARTMENT OF REVENUE, P.O. BOX 25000, RALEIGH, NC 27640-0100

www.dornc.com

Table of Contents

Page		Page	Page
	Instructions for Filing Form D-400	Line Instructions	Additions to Federal
4	Filing Requirements	Filing Status	Adjusted Gross Income
	Same-Sex Marriage and Filing	Federal Adjusted Gross Income.....	Deductions from Federal Adjusted
4	Status	N.C. Standard Deduction or	Gross Income
5	When to File	N.C. Itemized Deductions.....	Part-Year Resident/Nonresident.....
5	Extensions.....	N.C. Personal Exemption	General Information for Claiming
5	General Refund Information.....	Allowance	Tax Credits.....
	Need to Call Us About	North Carolina Taxable Income	North Carolina Tax Table
5	Your Refund?	North Carolina Income Tax	Tax Rate Schedule
5	How to Pay Your Tax	Consumer Use Tax	Important Reminders.....
6	Estimated Income Tax	North Carolina Income	What You Should Send Us.....
6	Statute of Limitations.....	Tax Withheld	Assemble Your NC Return
6	Amended Returns	Other Tax Payments	For Mailing
6	Penalties and Interest	N.C. Earned Income Tax Credit ...	Frequently Asked Questions
	United States Armed	Tax, Penalties, and Interest	Important Toll-free
6	Forces Pay	Pay This Amount.....	Telephone Numbers.....
6	Military Spouses.....	Estimated Income Tax	Maintaining Records.....
6	Death of the Taxpayer.....	NC Nongame and Endangered	Important Notice Regarding
	Information for Part-Year Residents	Wildlife Fund.....	Substitute Returns.....
7	and Nonresidents		Mailing Addresses

Frequently Asked Questions Call us 24 hours a day, 7 days a week to get recorded information on many frequently asked income tax questions. (See page 32)

Our NCDOR website offers e-file options and a list of approved e-file vendors. The list is located at <http://www.dornc.com/electronic/individual/developerlist.pdf>



Join over 3.5 million taxpayers that filed their North Carolina income taxes electronically last year – it improves processing, saves time, and reduces cost.

You May Be Eligible to E-File for Free! **Free**
 To find out if you qualify for FREE or LOW COST e-filing, we encourage you to click on the NCfreefile logo located on our website at <http://www.dornc.com/electronic/e-file.html>

Friendly and Confidential Customer Service
 For assistance in e-filing your returns, utilize the "Help" features that are provided by each software product.



Convenience of Direct Deposit
 Electronic Filing offers the option of having your refund deposited directly into your bank account, thereby eliminating the possibility of your refund check being lost, stolen, or returned due to an incomplete/incorrect address. The direct deposit option is available only if you E-File your return. **(Please be sure to verify that your bank account information is accurate prior to submitting your return. Incorrect banking information may delay your refund and/or result in you receiving a paper check)**

Safe and Confidential
 The Department complies with IRS security standards to safeguard your tax data.



Avoid Long Lines at the Post Office
 Why wait in long lines at the post office? If you e-file your return, you will receive electronic confirmation that your return has been received.



More Accurate than Paper Returns
 Computerized calculations are automatic and lower the chance of errors on the return.



North Carolina income tax filers are encouraged to file returns electronically and pay taxes online through www.dornc.com.



Safe and Secure E-Filing Options for Individuals:

Free File... You may be eligible to e-file for FREE!!!

To find out if you qualify for Free File, please review the Quick Guide to Eligibility Requirements for Free File and Low Cost by clicking on the on the NCfreefile logo located on our website at <http://www.dornc.com/electronic/e-file.html>

Low Cost

If you do not qualify for free electronic filing, you may be eligible to electronically file your Federal and State returns at a low cost. The software prices are listed from lowest to highest on our website. To access the list of Low Cost options, click on the NCfreefile logo located on our website at <http://www.dornc.com/electronic/e-file.html>

VITA/TCE

Volunteer Income Tax Assistance/Tax Counseling for the Elderly (VITA/TCE) programs offer free Federal and State tax preparation and electronic filing for taxpayers with low or moderate income, disabilities, non-English speaking, or the elderly. Call the IRS at 1-800-829-1040 for a location.

How Do I E-File?

Use Your Computer

Visit our website at www.dornc.com to access E-File services available at no cost to eligible taxpayers or use a commercial tax preparation software for a modest fee. A link to approved software products sites is located on our website.

Ask Your Tax Preparer to File Your Federal and State Returns Electronically

“Where’s my Refund?” and Other Electronic Services

www.dornc.com

Click **Electronic Services** and select **Individuals**.

Where’s My Refund?

Track the status of your current individual income tax refund, amended returns and prior year returns filed late.

D-400V Individual Income Payment Voucher

Pay your current year individual income tax.

Bills and Notices

Make a payment on a bill or notice that you received from the Department of Revenue.

NC-40 Individual Estimated Income Tax

Pay your individual estimated income tax payments online.

D-410 Application for Extension for Filing Individual Income Tax Return

File your individual income tax extension and pay the tax electronically.

D-400V Amended Individual Income Payment Voucher

Pay the tax on your individual income tax amended return.

E-Alerts

Join our Tax Updates Mailing List. Mailings through this list will include bulletins, directives, and other important notices about law changes and related tax matters.

Before You Begin

The forms in this booklet are designed for electronic scanning that permits faster processing with fewer errors. To avoid unnecessary delays caused by manual processing, please follow the guidelines below:

Important: You must enter your social security number(s) in the appropriate boxes on the forms. Otherwise, we may be unable to process your return.

- Be sure to enter your complete address on your return, including your apartment number, if applicable.
- Make sure you have received all of your W-2s, 1099s, and other tax documents that you need to prepare your return.
- **Do not** submit photocopies of the return. Submit original forms only. **Do not** use any prior year forms.
- **Use black or blue ink only. Do not use red ink or pencil.**
- Write your numbers in the boxes like this:

		1	7	3	6	0	0	0
--	--	---	---	---	---	---	---	---
- **Do not** use dollar signs (\$), commas, decimal points, or other punctuation marks like this:

		\$	1	7	,	3	6	0	.	0	0
--	--	----	---	---	---	---	---	---	---	---	---
- **Do not** use brackets to indicate negative numbers. Negative numbers are indicated by filling in the circle next to the number.
- **Do not** enter zeros or draw lines in boxes where no data is required.
- Round off to the nearest whole dollar. Drop amounts under 50 cents and increase amounts from 50 cents to 99 cents to the next whole dollar.
- Use capital letters.
- Print letters and numbers like this:

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

0	1	2	3	4	5	6	7	8	9
---	---	---	---	---	---	---	---	---	---

- Fill in applicable circles completely. **Example:**

<input checked="" type="radio"/> Yes	<input type="radio"/> No
--------------------------------------	--------------------------

Instructions for Filing Form D-400

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

Filing Requirements

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 adjust the standard deduction and personal exemption for inflation as required by the Internal Revenue Code.

Who is required to file a North Carolina individual income tax return?

- Every resident of North Carolina whose income for the taxable year exceeds the amount for his filing status shown in Chart A or B.
- Every part-year resident who received income while a resident of North Carolina or who received income while a nonresident attributable to the ownership of any interest in real or tangible personal property in North Carolina or derived from a business, trade, profession or occupation carried on in North Carolina, or is derived from gambling activities in North Carolina and whose total income for the taxable year exceeds the amount for his

filing status shown in Chart A or B.

- Every nonresident who received income for the taxable year from North Carolina sources that was attributable to the ownership of any interest in real or tangible personal property in North Carolina or derived from a business, trade, profession, or occupation carried on in North Carolina, or is derived from gambling activities in North Carolina and whose total income from all sources both inside and outside of North Carolina equals or exceeds the amount for his filing status shown in Chart A or B.
- If you are eligible to claim the State Earned Income Tax Credit or if you had North Carolina income tax withheld during the year but your income is below the amount required for filing, as shown in Chart A or B, you must still file a return to receive a refund.

If you were not required to file a federal income tax return but your gross income from all sources both inside and outside of North Carolina equals or exceeds the amount for your filing status shown in Chart A or B, you must complete a federal return and attach it to your North Carolina income tax return to show how your federal adjusted gross income, deductions, and exemptions were determined.

You and your spouse must file a joint North Carolina return if you file a joint federal income

tax return, and both of you were residents of North Carolina or both of you had North Carolina taxable income.

If you file a joint federal return and your spouse is a nonresident of North Carolina and had no North Carolina taxable income, you may file a joint State return. Once you file a joint return, you cannot choose to file separate returns for that year after the due date of the return. However, you still have the option of filing your State return as married filing separately. If you choose to file a separate North Carolina return, you must complete either a federal return as married filing separately reporting only your income, deductions, and exemptions or a schedule showing the computation of your separate income, deductions, and exemptions and attach it to your North Carolina return. You must also include a copy of your joint federal return unless your federal return reflects a North Carolina address.

When filing a joint return, include the name and social security number of each spouse on the return. Both spouses are jointly and severally liable for the tax due on a joint return unless one spouse qualifies for innocent spouse relief for federal income tax purposes as a result of the "innocent spouse" rules provided under Internal Revenue Code Section 6015.

Same-Sex Marriage and Filing Status

Under Rev. Rul. 2013-17, the IRS now allows same-sex spouses to file their federal income tax returns using the filing status of married filing jointly or married filing separately. Because North Carolina does not recognize same-sex marriage as valid (N.C.Gen.Stat. § 51-1.2), the North Carolina Department of Revenue cannot follow the new definitions in Rev.Rul. 2013-17. Consequently, individuals who enter into a same-sex marriage in another state cannot file a North Carolina income tax return using the filing status of married filing jointly or married filing separately.

Each individual will need to file a separate North Carolina income tax return on Form D-400 using the filing status of single or, if qualified, head of household or qualifying widow(er). Individuals who file a federal income tax return as married filing jointly or married filing separately must each complete a separate federal return for North Carolina purposes with the filing status of single or, if qualified, head of household or qualifying widow(er) to determine each individual's proper adjusted gross income, deductions and tax credits allowed under the Code for the filing status used for North Carolina purposes, and then attach a copy of the federal return to the North Carolina return. You must also include a copy of your joint federal return unless your federal return reflects a North Carolina address. For additional information please refer to our website <http://www.dornc.com/practitioner/individual/directives/pd-13-1.pdf>.

Chart A — For Most Taxpayers (See Chart B for children and other dependents)

<u>Filing Status</u>	<u>A Return is Required if Federal Gross Income Exceeds</u>
(1) Single.....	\$ 5,500
Single (age 65 or over).....	\$ 6,250
(2) Married - Filing Joint Return	\$11,000
Married - Filing Joint Return (one age 65 or over).....	\$11,600
Married - Filing Joint Return (both age 65 or over).....	\$12,200
(3) Married - Filing Separate Return	\$ 2,500
(4) Head of Household	\$ 6,900
Head of Household (age 65 or over)	\$ 7,650
(5) Qualifying Widow(er) with dependent child.....	\$ 8,500
Qualifying Widow(er) (age 65 or over).....	\$ 9,100

Filing Requirements for Children and Other Dependents

If another person (such as your parent) can claim you as a dependent on their federal income tax return, use Chart B on Page 5 to see if you must file a North Carolina income tax return.

Chart B – For Children and Other Dependents

Single dependents. Were you **either** age 65 or older **or** blind?

- No.** You must file a return if **any** of the following apply to you.
- Unearned income was over \$500
 - Earned income was over \$3,000
 - Gross income was more than the **larger of-**
 - \$500, or
 - Earned income (up to \$2,650) plus \$350
- Yes.** You must file a return if **any** of the following apply to you.
- Unearned income was over \$1,250 (\$2,000 if 65 or older **and** blind)
 - Earned income was over \$3,750 (\$4,500 if 65 or older **and** blind)
 - Gross income was more than-
- | | | |
|---------------------------------|------|-----------------------------|
| The larger of- | Plus | This amount: |
| • \$500, or | } | \$750 (\$1,500 if 65 |
| • Earned income (up to \$2,650) | | or older and blind) |
| plus \$350 | | |

Unearned income includes taxable interest, dividends, capital gains, pensions, annuities, and social security benefits. **Earned Income** includes salaries, wages, tips, professional fees, scholarships that must be included in income, and other compensation received for personal services. **Gross income** is the total of your unearned and earned income.

Married dependents. Were you **either** age 65 or older **or** blind?

- No.** You must file a return if **any** of the following apply to you.
- Gross income was at least \$10 and your spouse files a separate return and itemizes deductions.
 - Unearned income was over \$500
 - Earned income was over \$3,000
 - Gross income was more than the **larger of-**
 - \$500, or
 - Earned income (up to \$2,650) plus \$350
- Yes.** You must file a return if **any** of the following apply.
- Unearned income was over \$1,100 (\$1,700 if 65 or older **and** blind)
 - Earned income was over \$3,600 (\$4,200 if 65 or older **and** blind)
 - Gross income was at least \$10 and your spouse files a separate return and itemizes deductions
 - Gross income was more than-
- | | | |
|---------------------------------|------|-----------------------------|
| The larger of- | Plus | This amount: |
| • \$500, or | } | \$600 (\$1,200 if 65 |
| • Earned income (up to \$2,650) | | or older and blind) |
| plus \$350 | | |

The Income Tax Return

All individuals (including part-year residents and nonresidents) must file their income tax return on Form D-400. If applicable, be sure to read the section entitled **Information for Part-Year Residents and Nonresidents**.

When to File

If you file your return on a calendar year basis, it is due on or before April 15 of the following year. A fiscal year return is due on the 15th day of the 4th month following the end of the taxable year. When the due date falls on a Saturday, Sunday, or holiday, the return is due on or before the next business day. A fiscal year return should be filed on a tax form for the year in which the fiscal year begins (For example: A 2013 tax form should be used for a fiscal year beginning in 2013).

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

Extensions

If you cannot file your return by the due date, you may apply for an automatic 6-month extension of time to file the return. **To receive the extension, you must file Form D-410, Application for Extension for Filing Individual Income Tax Return, by the original due date of the return.** You can file Form D-410 online at www.dornc.com. Click on **Electronic Services**. You should apply for an extension even if you believe you will be due a refund but cannot file by the due date.

You are not required to send a payment of the tax you estimate as due to receive the extension; however, it will benefit you to pay as much as you can with the extension request. **An extension**

of time for filing the return does not extend the time for paying the tax. If you do not pay the amount due by the original due date, you will owe a 10 percent late-payment penalty and interest. The late-payment penalty will not be due if you pay at least 90 percent of your tax liability through withholding, estimated tax payments, or with Form D-410 by the original due date.

A late-filing penalty may be assessed if your return is filed after the due date (including extensions). The penalty is 5 percent per month (25 percent maximum) on the remaining tax due.

If you do not file the application for extension by the original due date of the return, you are subject to both a late-filing penalty and a late-payment penalty.

Out of the Country: If you were a U.S. citizen or resident and were out of the country on the regular due date of your return (April 15), you are granted an automatic 4-month extension for filing your North Carolina return if you fill in the "Out of the Country" circle on Page 1 of your return. "Out of the Country" means you live outside the United States and Puerto Rico and your main place of work is outside the United States and Puerto Rico, or you 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. If you are unable to file the return within the automatic 4-month extension period, an additional 2-month extension may be obtained by following the provisions in the first paragraph of this section; however, Form D-410 must be filed by the automatic 4-month extended date of August 15.

General Refund Information

If you owe another State or local agency, the amount you owe may be deducted from

your refund. If you have an outstanding federal income tax liability, the Internal Revenue Service may claim your North Carolina refund.

Need to Call Us About Your Refund?

You can check the status of your refund at www.dornc.com. The automated refund inquiry line 1-877-252-4052 (toll-free) will also give you the status of your current refund. You can also obtain amended return refund information. Service is available 24 hours a day seven days a week. You will need the first social security number and the amount of refund shown on your return when you call.

How to Pay Your Tax

If you owe additional tax, you can pay online by bank draft or credit or debit card using Visa or MasterCard. To pay online, go to the Department's website at www.dornc.com and click on **Electronic Services**.

You 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. Make your check or money order payable to the N.C. Department of Revenue for the full amount due. Write "2013 D-400" and your name, address, and social security number on your payment. If you are filing a joint return, write both social security numbers on your payment in the order that they appear on the return. If you do not pay your tax online, you may go to our website and generate a personalized Form D-400V. Enclose the voucher with your return and payment, and mail to the address listed on page 4 of Form D-400. If you use tax software to prepare your return, be sure

Instructions for Filing Form D-400

to include with your return and payment the Form D-400V generated by the software package.

Estimated Income Tax

You are required to pay estimated income tax if the tax shown due on your return, reduced by your North Carolina tax withheld and allowable tax credits, is \$1,000 or more regardless of the amount of income you have that is not subject to withholding. Each payment of estimated tax must be accompanied by **Form NC-40, North Carolina Individual Estimated Income Tax**. If you are filing estimated tax for the first time, contact any of our offices so that appropriate forms can be mailed to you. You can also pay your estimated tax online at www.dorncc.com. Click on **Electronic Services**.

You should prepare your estimated tax carefully, both to avoid having to pay a large amount of tax when you file your return, and to avoid owing interest for underpayment of estimated income tax. Payment of estimated tax does not relieve you of your responsibility for filing a return if one is due.

Statute of Limitations

Generally, to receive a refund, your return must be filed within three years from the date the original return was due or within two years after the tax was paid, whichever date is later. However, special rules extending the time for filing refund claims beyond the normal three year statute of limitations apply to overpayments attributable to (1) worthless debts or securities, (2) capital loss carrybacks, (3) net operating loss carrybacks, or (4) a contingent event. For overpayments resulting from worthless debts or securities, the period of time for demanding an overpayment is seven years; for overpayments resulting from capital loss or net operating loss carrybacks, the period of time is three years from the due date of the return for the year in which the loss was incurred rather than three years from the due date of the return for the year to which the loss is carried back. If you are subject to a contingent event and file notice with the Secretary of Revenue, the period to request a refund of an overpayment is six months after the contingent event concludes.

Amended Returns

You may amend your return by filing **Form D-400X, Amended North Carolina Individual Income Tax Return for 2013**. Amended returns on which you owe additional tax are required to be filed and the tax paid within three years after the date on which the original return was filed or within three years from the date required by law for filing the return, whichever is later.

If changes are made to your federal return by the Internal Revenue Service, you must report the changes to the State by filing an amended return within six months from the date you receive the report from the Internal Revenue Service. If you do not amend your 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 you forfeit your right to any refund which might have been due by reason of the changes.

Penalties and Interest

Failure to file penalty. Returns filed after the due date are subject to a penalty of 5 percent of the tax for each month, or part of a month, the return is late (maximum 25 percent of the additional tax). If you file your return late, figure the amount of the penalty and add it to the tax due.

Failure to pay penalty. Returns filed after April 15 without a valid extension are subject to a late-payment penalty of 10 percent of the unpaid tax. If you have an extension of time for filing your return, the 10 percent penalty will apply on the 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 extended due date to avoid the late-payment penalty. If your payment is late, figure the amount of the penalty and add it to the tax due. The late-payment penalty will not be assessed if the amount shown due on an amended return is paid with the return. Proposed assessments of additional tax due are subject to the 10 percent late-payment penalty if payment of the tax is not received within 45 days of the assessment.

Other penalties. There are 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.

Collection Assistance Fee. Any tax, penalty, and interest not paid within 90 days after the debt becomes collectible is subject to a 20 percent collection assistance fee.

Interest. Interest is due on tax not paid by April 15, even though you may have an extension of time for filing your return. You may obtain the current interest rate from any of the Department's offices. If you pay your tax late, figure the amount of interest due and include it with the tax and any applicable penalty.

Interest on the underpayment of estimated tax. Compute interest on any underpayment of estimated income tax on **Form D-422, Underpayment of Estimated Tax by Individuals**. Interest is not due if each payment equals 25 percent of the lesser of 90 percent (66 2/3 percent for farmers and fishermen) of the tax due on your current year's return or 100 percent of the tax due on your previous year's return. If interest is applicable, add the interest to the tax due, and include the full payment with your return. If a refund is due, subtract the amount of the interest from the refund.

United States Armed Forces Pay

If you are serving in the United States Armed Forces and your legal residence is North

Carolina, you are liable for North Carolina income tax and North Carolina income tax should be withheld from your pay regardless of where you may be stationed. If you are a legal resident of another state stationed in North Carolina on military orders, you are not liable for North Carolina income tax on your military pay, but income from other employment, a business, or tangible property in North Carolina is subject to North Carolina income tax.

Military Spouses

The Military Spouses Residency Relief Act of 2009 prohibits North Carolina from taxing the income earned for services performed in North Carolina by a spouse of a servicemember stationed in North Carolina if (1) the servicemember is present in North Carolina solely in compliance with military orders; (2) the spouse is in North Carolina solely to be with the servicemember; and (3) the spouse is domiciled in the same state as the servicemember. If all three of the conditions are met, an employer is not required to withhold North Carolina tax from wages paid to such military spouses. A spouse who does not meet these requirements should see "Information for Part-Year Residents and Nonresidents" below regarding the filing of their return. The Act does not apply to military spouses who are domiciled in North Carolina. Withholding from wages paid to military spouses domiciled in North Carolina is still required.

Death of the Taxpayer

If you are the spouse or personal representative of an individual who died prior to filing a return, you may be required to file a return on the decedent's behalf. If so, enter the date of death in the applicable box on Page 1 of Form D-400 to indicate the return is being filed for a deceased individual.

An Income Tax Return for Estates and Trusts, Form D-407, must be filed for an estate for the period from the date of death to the end of the taxable year if the estate had taxable income from North Carolina sources or income which was for the benefit of a North Carolina resident, and the estate is required to file a federal return for estates and trusts.

If you are filing a return for an unmarried individual who died during the year, enter the date of death in the applicable box and enter the name of the deceased and the address of the executor, administrator, or court-appointed representative. The executor, administrator, or court-appointed representative should fill in the circle above the deceased taxpayer information on Page 1 and sign the return. When filing a separate return for a decedent who was married at the time of death, enter the date of death, the name of the deceased, and the address of the surviving spouse. The surviving spouse should sign the return. In either case, be sure to enter the date of death in the space provided.

If you are a court-appointed representative, attach to the 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 surviving spouse, executor,

administrator or a court-appointed representative will be mailed to the Clerk of Superior Court of the county in which the taxpayer resided.

Information for Part-Year Residents and Nonresidents

If you move your legal residence into or out of North Carolina during the tax year, you are a resident of two different states during two different periods of the tax year.

You are a nonresident if you maintain your legal residence in another state or country even though you may temporarily reside in North Carolina. If you reside in North Carolina for more than 183 days of a tax year, you are presumed to be a resident for income tax purposes in the absence of factual proof of residence in another state. However, your absence from North Carolina for more than 183 days raises no presumption that you are not a resident.

If you file a joint federal return and your spouse is a nonresident of North Carolina and had no North Carolina taxable income, you may file a joint State return. However, you still have the option of filing your State return as married filing separately. If you choose to file a separate North Carolina return, you must complete either a federal return as married filing separately reporting only your income, deductions, and exemptions or a schedule showing the computation of your separate income, deductions, and exemptions and attach it to your North Carolina return. You must also include a copy of your joint federal return unless your federal return reflects a North Carolina address. **Note:** Itemized nonbusiness deductions of a husband and wife may be claimed by a spouse only if that spouse was obligated to pay the items and actually paid the amount during the year. In the case of a joint obligation (such as mortgage interest and real estate taxes), the deduction is allowable to the spouse who actually paid the item.

Part-year residents and nonresidents receiving income from North Carolina sources must determine the portion of their federal gross income, as adjusted, that is subject to North Carolina income tax by completing Lines 53 through 55 on Page 4 of Form D-400. See the instructions for Lines 53 and 54 on Page 15.

A part-year resident receiving partnership income from a partnership doing business in North Carolina and in one or more other states must prorate his share of the partnership's income attributable and not attributable to North Carolina between his periods of residence and nonresidence in accordance with the number of days in each period. Include on Line 53 your share of partnership income determined for the period of residence and your share of the partnership income attributable to North Carolina during the period of nonresidence.

If you have income from sources within another state or country while you are a resident of North Carolina and the other state or country taxes you on such income, you may be eligible to claim a tax credit on your North Carolina return. See "Credit for Tax Paid to Another State or Country" on Page 16 for additional information.

Line Instructions for Filing Form D-400

The references to line numbers on federal income tax forms were correct at the time of printing. If they have changed and you are unable to determine the proper line to use, please contact the Department of Revenue.

income is a negative number, enter the negative amount and fill in the circle to indicate that the amount is negative. (Note: If you are completing a web fill-in form on the Department's website, enter a minus sign to indicate a negative number.)

married filing a separate return for federal income tax purposes and your spouse itemizes deductions, or (2) a nonresident alien, or (3) filing a short-year return because of a change in your accounting period, you are not entitled to the standard deduction. Note: A short-year return does not relate to a taxpayer who files a return as a part-year resident.

North Carolina Standard Deduction

You must use the appropriate chart or worksheet which begins below and continues on page 8, whichever applies, to determine the amount of your North Carolina standard deduction to enter on line 11.

Lines 1 through 5 - Filing Status

Check the same filing status you checked on your federal return **unless:** (1) Either you or your spouse is a nonresident and had no North Carolina taxable income for the tax year, or (2) you are a same-sex couple filing married filing jointly or married filing separately. **See Filing Requirements and Same-Sex Marriage and Filing Status on Page 4.**

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

IMPORTANT: Do not enter the amount from your federal income tax return on Line 11, Form D-400. You must fill in the applicable circle on Form D-400. Under no circumstances should both circles be filled in.

You may deduct the N.C. standard deduction or itemized deductions using the itemized deduction worksheet on Page 9. If you did not itemize your deductions on your federal return, you may take the standard deduction on your North Carolina return. If you itemized on your federal return, you may either itemize or claim the standard deduction. **However, if you are (1)**

Line 6 - Federal Adjusted Gross Income

Enter your federal adjusted gross income from your federal return. If federal adjusted gross

Standard Deduction Chart for Most People	
Do Not use this chart if you or your spouse were 65 or older or blind, Or if someone can claim you as a dependent.	
If your filing status is:	Your standard deduction is:
Single	\$3,000
Married filing jointly/Qualifying widow(er)	\$6,000
Married filing separately	
If spouse <u>does not claim</u> itemized deductions	\$3,000
If spouse <u>claims</u> itemized deductions	0
Head of household	\$4,400

Instructions for Filing Form D-400

Standard Deduction Chart for People Age 65 or Older or Blind

Do not use this chart if someone can claim you, or your spouse if filing jointly, as a dependent. Instead use the worksheet below.

Check if: You were 65 or Older Blind

 Your spouse was 65 or Older Blind

 Enter the number of boxes checked above

Note: If married filing separately, include the number of boxes checked for your spouse in the total number only if your spouse had no gross income and was not claimed as a dependent by another taxpayer.

If your filing status is:	And the total number of boxes you have checked is:	Your standard deduction is:
Single	1	\$3,750
	2	\$4,500
Married filing jointly or Qualifying widow(er)	1	\$6,600
	2	\$7,200
	3	\$7,800
	4	\$8,400
Married filing separately	1	\$3,600
	2	\$4,200
	3	\$4,800
	4	\$5,400
Head of household	1	\$5,150
	2	\$5,900

Standard Deduction Worksheet for Dependents

Use this worksheet **only** if someone can claim you, or your spouse if filing jointly, as a dependent.

1. Add \$350 to your earned income.* Enter the total 1. _____
2. Minimum amount 2. \$500
3. Enter the larger of Line 1 or Line 2 3. _____
4. Enter on Line 4 the amount shown for your filing status
 - Single, enter \$3,000
 - Married filing jointly/Qualifying widow(er), enter \$6,000
 - Married filing separately, enter \$3,000
 - Head of household, enter \$4,400 4. _____
5. Enter the smaller of Lines 3 or 4. (If under 65 and not blind, stop here and enter this amount on Line 11 of Form D-400 5. _____
6. a. Check if: You were 65 or Older Blind
 Your spouse was 65 or Older Blind

b. Enter the number of boxes you have checked

Note: If married filing separately, include the number of boxes checked for your spouse in the total number checked only if your spouse had no gross income and was not claimed as a dependent by another taxpayer.

c. Multiply \$750 (\$600 if married filing jointly or separately, or qualifying widow(er)) by the number of boxes you entered on Line 6b above and enter the result..... 6c. _____
7. Add Lines 5 and 6c. Enter the total here and on Line 11 of Form D-400..... 7. _____

* Earned income includes salaries, wages, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must report in income.

North Carolina Itemized Deductions

You may itemize your deductions on your North Carolina return **ONLY** if you itemized your deductions on your federal return. If, on your federal return, you deduct **mortgage insurance premiums** as qualified residence interest under section 163 of the Code on Line 13 Federal Schedule A or you deduct **state and local taxes** from Line 5 of Federal Schedule A and any **foreign income taxes** included on Line 8 of Federal Schedule A use the **Itemized Deduction Worksheet for Most People** on page 9 to calculate your North Carolina itemized deductions. If you were required to complete the Itemized Deduction Worksheet in the instructions for Federal Form 1040 because your federal adjusted gross income exceeded an applicable threshold, complete the **Itemized Deduction Worksheet for People Whose Federal Itemized Deductions are Limited Based on Income** on page 9 to determine your North Carolina itemized deductions. Otherwise, your North Carolina itemized deductions are the same as your federal itemized deductions.

Itemized Deductions Worksheet for Most People

1. Total itemized deductions on Line 29* of federal Schedule A..... 1. _____
2. Enter your N.C. standard deduction from the applicable table on page 7 or 8..... 2. _____
3. Subtract Line 2 from Line 1 and enter the result here, but not less than zero..... 3. _____
4. **Mortgage insurance premiums deducted on Line 13*** of federal Schedule A..... 4. _____
5. **State and local taxes on Line 5*** of the federal Schedule A and any **foreign income taxes included on Line 8*** of federal Schedule A 5. _____
6. Add Lines 4 and 5 and enter the amount 6. _____
7. Compare Line 3 with Line 6 and enter whichever is less 7. _____
8. Subtract line 7 from Line 1 and enter the result here, but not less than zero. **Enter this amount on Line 11 of your Form D-400** 8. _____

Itemized Deductions Worksheet for People Whose Federal Itemized Deductions are Limited Based on Income

1. Total itemized deductions on Line 29* of federal Schedule A..... 1. _____
2. Enter your N.C. standard deduction from the applicable table on page 7 or 8..... 2. _____
3. Subtract Line 2 from Line 1 and enter the result here, but not less than zero..... 3. _____
4. **Mortgage insurance premiums deducted on Line 13*** of federal schedule A 4. _____
5. **State and local taxes on Line 5*** of the federal Schedule A and any **foreign income taxes included on Line 8*** of federal Schedule A 5. _____
6. Add Lines 4 and 5 and enter the amount..... 6. _____
7. Enter the amount from Line 3 of the **Itemized Deductions Worksheet** in the instructions for Federal Form 1040.... 7. _____
8. Divide Line 6 above by Line 7 and enter the result as a decimal amount 8. _____
9. Enter the amount from Line 9 of the **Itemized Deductions Worksheet** in the instructions for Federal Form 1040.... 9. _____
10. Multiply Line 9 above by the decimal amount on Line 8 above and enter the result here..... 10. _____
11. Subtract Line 10 from Line 6 and enter the result here, but not less than zero..... 11. _____
12. Compare Line 3 with Line 11 and enter whichever is less 12. _____
13. Subtract Line 12 from Line 1 and enter the result here, but not less than zero. **Enter this amount on Line 11 of your Form D-400** 13. _____

* Federal line number references are subject to change

Line 13 - N.C. Personal Exemption Allowance

You are allowed the same personal exemptions allowed under the Internal Revenue Code. You may deduct an exemption amount equal to the amount listed in the chart below based on the your filing status and adjusted gross income. Multiply the total number of exemptions claimed on your federal income tax return by the amount listed in the chart below. Enter the amount on Line 13.

<u>Filing Status</u>	<u>Federal Adjusted Gross Income</u>	<u>Personal Exemption</u>
Single	Up to \$60,000	\$2,500
	Over \$60,000	\$2,000
Married, filing jointly/qualifying Widow(er)	Up to \$100,000	\$2,500
	Over \$100,000	\$2,000
Married, filing separately	Up to \$50,000	\$2,500
	Over \$50,000	\$2,000
Head of Household	Up to \$80,000	\$2,500
	Over \$80,000	\$2,000

Line 17 - North Carolina Taxable Income

- If you were a **resident** of North Carolina for the entire year, enter the amount from Line 15 on Line 17.
- If you were a **part-year resident or a nonresident you must complete Lines 53 through 55** and enter on Line 16 the decimal amount from Line 55. Multiply the amount on Line 15 by the decimal amount on Line 16 and enter the result on Line 17.

Part-year residents and nonresidents should read the instructions listed on Page 7 for additional information and complete the worksheet for Lines 53 and 54 on Page 16.

Line Instructions for Filing Form D-400

Line 18 - North Carolina Income Tax

To calculate your tax, use one of the following methods:

North Carolina Tax Table. Use the **Tax Table** beginning on Page 22 to determine your tax if your taxable income on Line 17 is less than \$68,000. Be sure to use the correct column in the **Tax Table**. After you have found the correct tax, enter that amount on Line 18.

Tax Rate Schedule. Use the **Tax Rate Schedule** on Page 30 to calculate your tax if your taxable income is \$68,000 or more. Enter the amount on Line 18.

Line 19 - Tax Credits

See Page 16 for information about tax credits. Complete **Form D-400TC, Individual Tax Credits**, if you are entitled to one or more of the credits.

Line 21 – Consumer Use Tax

North Carolina use tax is due by individuals and businesses on tangible personal property and certain digital property purchased, leased or rented inside or outside this State for storage, use, or consumption in North Carolina. Use tax is due on taxable services sourced to North Carolina. **Individuals and businesses must pay use tax when retailers do not collect tax on taxable transactions.** Retailers that are not “engaged in business” in this State are not required to collect North Carolina’s tax. Some out-of-state retailers voluntarily collect North Carolina tax as a convenience to their customers. Retailers that are not “engaged in business” may include mail-order companies, television shopping networks, firms selling over the internet, and other retailers.

Items subject to sales and use tax include but are not limited to the following:

- Computers and other electronic equipment,
- Prewritten software including electronic downloads of software,
- Books, books on tape, and digital books delivered or accessed electronically,
- Audio compact discs, tapes, and records,
- Digital music delivered or accessed electronically,
- Magazines and newspapers including those delivered or accessed electronically,
- Clothing, appliances, furniture, home furnishings, sporting goods, and jewelry,
- Ringtones,
- Movies delivered or accessed electronically,
- Sales or recharges of prepaid telephone calling cards and phones.

The use tax is calculated at the same rate as the sales tax. For January 1, 2013 through March 31, 2013, the rate was 7.25% in Mecklenburg County, 7% in Alexander, Buncombe, Cabarrus, Catawba, Cumberland, Duplin, Durham, Halifax, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Orange, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties, and 6.75% in all other counties. For April 1, 2013 through December 31, 2013, the rate was 7.5% in Durham and Orange Counties, 7.25% in Mecklenburg County, 7% in Alexander, Buncombe, Cabarrus, Catawba, Cumberland, Duplin, Edgecombe, Greene, Halifax, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties, and 6.75% in all other counties. If you paid another state’s sales or use tax that was legally due on out-of-state purchases, that amount may be credited against the North Carolina use tax due. You may not claim a credit for sales tax or value-added tax paid to another country.

You should report use tax on purchases of food subject to the reduced rate of tax on Form E-554 and use tax on purchases of boats and aircraft on Form E-555.

Use Tax Table

NC Taxable Income
(D-400, Line 17)

NC Taxable Income
(D-400, Line 17)

<u>NC Taxable Income</u> (D-400, Line 17)		<u>Use Tax Amount</u>	<u>NC Taxable Income</u> (D-400, Line 17)		<u>Use Tax Amount</u>
<u>At Least</u>	<u>But Less Than</u>		<u>At Least</u>	<u>But Less Than</u>	
\$ 0	2,200	\$ 1	\$ 23,000	24,400	\$ 16
2,200	3,700	2	24,400	25,900	17
3,700	5,200	3	25,900	27,400	18
5,200	6,700	4	27,400	28,900	19
6,700	8,100	5	28,900	30,400	20
8,100	9,600	6	30,400	31,900	21
9,600	11,100	7	31,900	33,300	22
11,100	12,600	8	33,300	34,800	23
12,600	14,100	9	34,800	36,300	24
14,100	15,600	10	36,300	37,800	25
15,600	17,000	11	37,800	39,300	26
17,000	18,500	12	39,300	40,700	27
18,500	20,000	13	40,700	42,200	28
20,000	21,500	14	42,200	43,700	29
21,500	23,000	15	43,700	45,200	30
			45,200 and over		Multiply NC Taxable Income by .0675% (.000675)

The estimated amount is .0675% (.000675) of North Carolina taxable income. If you believe the estimate from the table is too high for your out-of-state purchases, you may estimate what you think you owe.

Line 21 – Consumer Use Tax (continued)

Use Tax Worksheet - Taxpayers Who Have Records of All Out-of-State Purchases

1. Enter the total amount of out-of-state purchases, including delivery charges, for 1/1/13 through 3/31/13..... 1. _____
2. Multiply Line 1 by 7.25% (.0725) in Mecklenburg County, 7% (.07) in Alexander, Buncombe, Cabarrus, Catawba, Cumberland, Duplin, Durham, Halifax, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Orange, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties, and 6.75% (.0675) in all other counties, and enter the amount..... 2. _____
3. Enter the total amount of out-of-state purchases, including delivery charges, for 4/1/13 through 12/31/13..... 3. _____
4. Multiply Line 3 by 7.5% (.075) in Durham and Orange Counties, 7.25% (.0725) in Mecklenburg County, 7% (.07) in Alexander, Buncombe, Cabarrus, Catawba, Cumberland, Duplin, Edgecombe, Greene, Halifax, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties, and 6.75% (.0675) in all other counties, and enter the amount..... 4. _____
5. Enter the tax legally due and paid to another state on the purchases. This amount may not exceed the total of Lines 2 and 4 5. _____
6. Add Lines 2 and 4, then subtract Line 5 and enter the result, rounded to the nearest whole dollar, here and on Form D-400, Line 21 6. _____

Use Tax Worksheet 2 - Taxpayers Who Do Not Have Records of All Out-of-State Purchases

1. For purchases of items that cost less than \$1,000 See the Use Tax Table on the previous page to estimate the use tax due based on your North Carolina taxable income shown on Form D-400, Line 17 and enter the amount 1. _____
2. For purchases of items that cost \$1,000 or more
 - 2a - Enter the total amount of purchases, including delivery charges, of \$1,000 or more for 1/1/13 through 3/31/13..... 2a. _____
 - 2b - Multiply Line 2a by 7.25% (.0725) in Mecklenburg County, 7% (.07) in Alexander, Buncombe, Cabarrus, Catawba, Cumberland, Duplin, Durham, Halifax, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Orange, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties , and 6.75% (.0675) in all other counties, and enter the amount..... 2b. _____
 - 2c - Enter the total amount of purchases, including delivery charges, of \$1,000 or more for 4/1/13 through 12/31/13 2c. _____
 - 2d - Multiply Line 2c by 7.5% (.075) in Durham and Orange Counties, 7.25% (.0725) in Mecklenburg County, 7% (.07) in Alexander, Buncombe, Cabarrus, Catawba, Cumberland, Duplin, Edgecombe, Greene, Halifax, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties, and 6.75% (.0675) in all other counties, and enter the amount 2d. _____
3. Add Lines 1, 2b and 2d and enter the total amount of use tax due 3. _____
4. Enter the tax legally due and paid to another state on the purchases. This amount may not exceed the amount on Line 3 4. _____
5. Subtract Line 4 from Line 3 and enter the result, rounded to the nearest whole dollar, here and on Form D-400, Line 21 5. _____

Line Instructions for Filing Form D-400

Lines 23a and 23b - N.C. Income Tax Withheld

Enter your North Carolina tax withheld on Line 23a. If you are married and you file a joint return, enter your North Carolina withholding on Line 23a and your spouse's withholding on Line 23b. **Do not** include any income tax withheld by a state other than North Carolina or any other tax amounts that were withheld.

Be sure to attach your original or a copy of the original State wage and tax statements (Form W-2), 1099 statements, or other statements verifying North Carolina tax withheld to your return. It is not necessary to attach 1099 statements on which no North Carolina income tax withheld is reported unless you are claiming a **Bailey** retirement deduction (See Line Instructions for Line 43). Wage and tax statements or 1099 statements generated by tax software programs cannot be used to verify North Carolina tax withholding.

Line 24 - Other Tax Payments

a - 2013 Estimated Tax - Enter any estimated income tax payments for 2013 (including any portion of your 2012 refund that was applied to your 2013 estimated income tax). See Page 6 for additional information about estimated income tax.

b - Paid with Extension - If you filed an automatic extension of time, enter the amount of North Carolina income tax paid with the extension.

c - Partnership - If you are a nonresident partner, enter your share of the tax paid to North Carolina by the manager of the partnership on your distributive share of the partnership income. Include with your 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 you are a nonresident shareholder of an S corporation, enter your share of the income tax paid to North Carolina by an S corporation on your distributive share of the S corporation income. Include with your return a copy of Form NC K-1 for Form CD-401S provided by the S corporation to verify the amount claimed.

Line 25 - N.C. Earned Income Tax Credit

See Page 17 for information about the State Earned Income Tax Credit. Complete Part 5 of Form D-400TC to determine the allowable credit.

Lines 27a through 27d - Tax, Penalties, and Interest

a - If Line 22 is more than Line 26, you owe additional tax. Subtract Line 26 from Line 22 and enter the result on Line 27a.

b - Penalties - See "Penalties" on Page 6 to determine if any other penalties apply to you.

c - Interest - See "Interest" on Page 6 to

determine if you owe interest.

d - Interest on the Underpayment of Estimated Income Tax and Exceptions- You may owe interest if you underpaid your estimated tax for any payment period. You will not owe interest if you 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 to see if you owe interest. Enter the interest on Line 27d. The interest will increase your tax liability or reduce your overpayment. You do not have to attach Form D-422 or Form D-422A to your return; however, maintain the form for your records.

Exception to Underpayment of Estimated Tax:

- Enter an "F" in the box if you are a farmer or fisherman. You will not owe interest if you are a farmer or fisherman and pay the tax due by March 1, 2014. You are a farmer or fisherman if you received at least two-thirds of your gross income for the year from farming and fishing.
- Enter an "A" in the box if you completed Form D-422A, Annualized Income Installment Worksheet, in determining the amount to enter on Line 27d.

Line 28 - Pay This Amount

Add Lines 27a, 27b, 27c and 27d and enter the total on Line 28. This is the total tax, penalties, and interest due. Mail your return and payment to the **North Carolina Department of Revenue, P. O. Box 25000, Raleigh, North Carolina 27640-0640**. Make your check or money order payable to the NC Department of Revenue. **Important:** 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.

You may also pay electronically or generate a personalized payment voucher Form D-400V by visiting www.dorn.com.

Line 29 - Overpayment

If Line 26 is more than Line 22, you have overpaid your tax. Subtract Line 22 (and any amount shown on Line 27d) from Line 26 and enter the amount of the overpayment on Line 29.

Line 30 - Estimated Income Tax

If you have overpaid the tax, you may elect to have your refund applied to your estimated tax for the following year by entering the amount to be applied on Line 30. The election cannot be changed after you file your return. The last allowable date for making a 2014 estimated tax payment is January 15, 2015; therefore, to apply a portion of your refund to 2014 estimated tax, you must file your 2013 return by January 15, 2015.

Line 31 - N. C. Nongame and Endangered Wildlife Fund

Help keep North Carolina wild by contributing

any portion of your refund to the N.C. Nongame and Endangered Wildlife Fund. Your tax deductible contributions are essential to monitoring and managing our wildlife populations, including turtles, flying squirrels, frogs, mussels, salamanders, and hundreds of bird species from terns and pelicans to woodpeckers and warblers. Conserving these species and their habitats is important to our state, our economy, and our quality of life. If wildlife conservation is important to you, please give what you can and help conserve North Carolina's wildlife for future generations to enjoy.

If you wish to contribute to the Fund, enter the amount of your contribution on Line 31. Your election to contribute to the Fund cannot be changed after you file your return. If you are not due a refund, you may still contribute to this Fund by donating online or mailing your donation directly to the North Carolina Wildlife Resources Commission, 1702 Mail Service Center, Raleigh, North Carolina 27699-1702.

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.



Line 33 - Amount to be Refunded

If you are due a refund, mail your return to the **North Carolina Department of Revenue, P.O. Box R, Raleigh, North Carolina 27634-0001**. Refunds of less than \$1.00 are made only upon written request.

Adjustments to Federal Adjusted Gross Income

You must make certain adjustments to your federal adjusted gross income (Line 6) in arriving at your modified adjusted gross income (Line 10). The law may require other adjustments that are not included in these instructions. Follow the Line Instructions beginning on this page to determine the adjustments that apply to you.

Additions to Federal Adjusted Gross Income (Lines 34 - 39)

Line 34 - Interest Income

Enter the amount of interest received from notes, bonds, and other obligations of states and political subdivisions other than North Carolina if not included in federal adjusted gross income. 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 35 - Adjustment for Bonus Depreciation

On January 2, 2013, President Obama signed into law the **American Taxpayer Relief Act of 2012 (ATRA)**. This Act extended the 50% bonus depreciation through 2013. North Carolina did not adopt the bonus depreciation provisions under IRC sections 168 (k) and 168(n) of this Act. Therefore, if you deducted the bonus depreciation under IRC sections 168(k) or 168(n) on your 2013 federal return, you must add to federal adjusted gross income 85% of the amount deducted. This adjustment does not result in a difference in basis of the affected assets for State and federal income tax purposes.

Note: Any amount of the bonus depreciation added to federal adjusted gross income on your 2013 State return may be deducted in five equal installments over your first five taxable years beginning with the tax return for taxable year 2014.

Note: 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 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. In addition, in the event of an actual or deemed transfer occurring prior January 1, 2013, the law permits an election to adjust the basis of the asset on the transferee's 2013 return. The election is only available if the transferor has not taken the bonus depreciation on a prior return and provided the transferor certifies in writing to the transferee that the transferor will not take any remaining bonus depreciation deductions. *(For more information on bonus depreciation, see N.C. Gen. Stat. §§105-134.6A(e) and (f), as well as the Department's website.)*

Line 36 - Adjustment for Section 179 Expense Deduction

The federal **American Taxpayer Relief Act of 2012 (ATRA)** extended through 2013 the dollar limitation for expensing section 179 property to \$500,000, and the investment limitation to \$2,000,000. North Carolina did not conform to these amounts. If you deducted section 179 expense on your federal return, an addition is required equal to 85% of the difference between the amount claimed on your federal return for section 179 expenses and the \$25,000 dollar limitation and \$125,000 investment limitation adopted by the North Carolina General Assembly. The definition of section 179 property has the same meaning as under section 179 of the Code as of January 2, 2013. This adjustment does not result in a difference in basis of the affected assets for State and federal income tax purposes.

Note: Any amount of section 179 expense deduction added to federal taxable income on your 2013 State return may be deducted in five equal installments over your first five taxable years

beginning with the tax return for taxable year 2014.

Line 37 - Adjustment for Tuition and Fees Deduction

North Carolina did not conform to the extension of the federal provision allowing the tuition and fees deduction. An addition to federal adjusted gross income is required for the amount of the taxpayer's deduction for qualified tuition and related expenses under section 222 of the Code that was claimed on federal Form 1040, Line 34 or Form 1040A, Line 19.

Note: There is no longer an allowable deduction available on Line 51 of Form D-400 for taxpayers who elected to claim the American Opportunity, Hope, or Lifetime Learning credit under section 25A of the Code in lieu of the deduction for qualified tuition and related expenses on the federal return.

Line 38 - Other Additions to Federal Adjusted Gross Income

- North Carolina did not conform to the extension of the federal provision that allowed an exclusion from gross income for the discharge of qualified principal residence indebtedness under section 108 of the Code. If you made this election, an addition to federal adjusted gross income is required for the amount excluded from gross income on your federal return.
- North Carolina did not conform to the extension of the federal provision which allowed an exclusion from gross income for a qualified charitable distribution from an individual retirement plan by a person who has attained age 70 1/2 under section 408(d)(8) of the Code. Therefore, an addition to federal adjusted gross income is required for the amount excluded from gross income on your federal return.
- North Carolina does not allow the domestic production activities deduction. Therefore, if you claimed the deduction on Line 35 of federal Form 1040, the amount claimed must be added to federal adjusted gross income on Line 38, Form D-400.

• If you elected to exclude a lump-sum distribution from a retirement plan from your regular federal income tax computation and computed the tax separately, the amount of the lump-sum distribution must be added to federal adjusted gross income.

• If you carry over a net operating loss from another year to the 2013 return, an addition is required for the amount of net operating loss carried to the 2013 year that is not absorbed and will be carried forward to subsequent years.

Example: You incur a net operating loss of \$75,000 in 2012. You carry the net operating loss to the 2013 federal return and deduct the entire loss in arriving at federal adjusted gross income. Only \$50,000 of the loss is absorbed and \$25,000 is carried forward to subsequent years. To determine North Carolina taxable income, you must make an addition to federal adjusted gross income of \$25,000.

• If you are a shareholder in an S Corporation that paid built-in gains tax for federal income tax purposes, you must add to federal adjusted gross income your share of the built-in gains tax that the S Corporation paid.

• You must add to federal adjusted gross income any amount that was contributed to North Carolina's National College Savings Program (NC 529 Plan) and deducted in a prior year that was later withdrawn and used for purposes other than the qualified higher education expenses of the designated beneficiary unless the withdrawal was due to the death or permanent disability of the designated beneficiary.

• If you qualified and elected to report your child's unearned income on your federal return, you included only the child's unearned income in excess of \$1,900 in your federal adjusted gross income. The difference in the child's standard deduction of \$500 and the amount of his income not included in your federal adjusted gross income must be added to your federal adjusted gross income in figuring your North Carolina taxable income.

Example

Susan, age 10, received \$2,000 in interest income in 2013. She had no other income. Her parents include \$100 (\$2,000-\$1,900) of her income in their federal adjusted gross income. In figuring their State taxable income, Susan's parents must add \$1,400 to federal adjusted gross income in figuring their North Carolina taxable income.

Susan's unearned income	\$2,000
Amount included in parents' federal income	100
Amount not included in parents' federal income	\$1,900
Susan's standard deduction	500
Addition to federal adjusted gross income on parents' return	\$1,400

Deductions From Federal Adjusted Gross Income (Lines 40 - 52)

Line 40 - State Income Tax Refund

Enter the amount of any state or local income tax refund included on Line 10 of your federal return, Form 1040.

Line 41 - Interest 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 42 - 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

Line Instructions for Filing Form D-400

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 43 - 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 income tax should claim a deduction on Line 43 for the amount of excludable retirement benefits included in federal adjusted gross income. Even if all your retirement is excludable under **Bailey**, you must still file a North Carolina return if you meet the minimum gross filing requirements on Page 4. **Important:** If you qualify for this deduction, you do not qualify for the deduction for retirement benefits of up to \$4,000 for the same federal, state, and local government retirement benefits. A copy of Form 1099-R or W-2 received from the payer must be attached to the return to support the deduction.

Line 44 - Other Retirement Benefits

You may deduct a portion of other retirement benefits included in federal adjusted gross income. Retirement benefits are amounts paid by an employer to a former employee or to a beneficiary of a former employee under a written retirement plan established by the employer to provide payments to an employee or beneficiary after the employee ends employment with the employer where the right to receive the payments is based upon the employment relationship. For self-employed individuals, retirement benefits are amounts paid to an individual (or beneficiary) under a written retirement plan established by the individual to provide payments after self-employment ends.

Retirement benefits also include amounts received from an individual retirement account or from an individual retirement annuity (IRA) and long-term disability benefits received under the Disability Income Plan of North Carolina. Retirement benefits do not include short-term disability benefits from the Disability Income Plan of North Carolina or distributions paid to an employee from an employer's retirement plan because of a change in the structure of a corporate employer.

Federal, State, and Local Government Retirement Benefits. Important: The following instructions apply to you if you received retirement benefits as a former employee of the State of North Carolina or any of its local governments or as a former employee of the federal government **and** you did not have five years of service with the government as of August 12, 1989, or if you received retirement benefits as a former employee of any other state or from a local government §457 plan. Otherwise, see the Line 43 instructions above. If you received retirement benefits from one or more federal, state, or local government retirement plans, you may deduct the amount included in federal adjusted gross income or \$4,000, whichever is less. Married individuals filing a joint return where both received such retirement benefits may each deduct up to \$4,000 for a potential deduction of \$8,000.

Private Retirement Benefits. If you received retirement benefits from one or more private retirement plans other than federal, state, or local government retirement plans, you may deduct the amount included in federal adjusted gross income or \$2,000, whichever is less. Married individuals filing a joint return where both received such retirement benefits may each deduct up to \$2,000 for a potential deduction of \$4,000.

The total retirement benefits deduction may not exceed \$4,000 per taxpayer. For married couples filing a joint return where both spouses received retirement benefits, the deduction applies separately to each, so that the maximum deduction on a joint return is \$8,000.

If you included retirement benefits in federal adjusted gross income, complete the Retirement Benefits Worksheet and enter the result on Form D-400, Line 44.

Retirement Benefits Worksheet	<u>You</u>	<u>Your Spouse</u>
1. Enter the federal, state, or local government retirement benefits included in federal adjusted gross income <u>not to exceed \$4,000 for each taxpayer who received government retirement benefits</u>	1.	_____
2. Enter the private retirement benefits included in federal adjusted gross income <u>not to exceed \$2,000 for each taxpayer who received retirement benefits</u>	2.	_____
3. Add Lines 1 and 2 and enter the total here <u>not to exceed \$4,000 for each taxpayer</u>	3.	_____
4. Add the amounts on Line 3 and enter the total here and on Form D-400, Line 44	4.	_____
Important: If you claim a deduction on Line 43 for retirement benefits received as a result of the Bailey settlement, you cannot claim the deduction of up to \$4,000 for the same federal, state, or local government retirement benefits.		

Line 45 - Severance Wages

You may deduct up to \$35,000 of any severance wages you received as a result of your permanent involuntary termination from employment through no fault of your own. The severance wages deducted as a result of the same termination may not exceed \$35,000 for all taxable years in which the wages were received. "Stay on pay" does not qualify for the deduction.

Severance wages do not include payments that represent compensation for past or future services. Compensation for past or future services includes payment for accumulated sick leave, vacation time, other unused benefits, bonuses based on job performance, or payments in consideration of any agreement not to compete.

Line 46 - Adjustment for Bonus Depreciation Added Back in 2008, 2009, 2010, 2011, and 2012

North Carolina did not adopt the 50 percent bonus depreciation provisions in IRC section 168(k) for tax year 2008 or in IRC sections 168(k) or 168(n) for tax years 2009 and 2010. Similarly, North Carolina did not adopt the provisions of the Small Business Jobs Act of 2010 which extended the 50 percent bonus depreciation through 2011 or the Tax Relief Act of 2010 which doubled and extended bonus depreciation from 50 percent to 100 percent for qualified property acquired and placed in service after September 8, 2010 and before January 1, 2012. The Tax Relief Act makes 50 percent bonus depreciation available for qualified property placed in service after December 31, 2011 and before January 1, 2013. Certain long-lived property and transportation property is eligible for 100 percent expensing if placed in service before January 1, 2013. Any amount added to federal taxable income or federal adjusted gross income on the 2008, 2009, 2010, 2011, and 2012 State returns may be deducted in five equal installments beginning with the 2009, 2010, 2011, 2012, and 2013 State returns, respectively. Therefore, enter 20 percent of the bonus depreciation added back on the 2008, 2009, 2010, 2011, and 2012 State returns.

Line 47 - Adjustment for Section 179 Expense Added Back in 2010, 2011, and 2012

North Carolina did not conform to the increased expense deduction or increased investment limit for section 179 property but rather maintained the expense deduction and investment limit allowed under the Internal Revenue Code as of May 1, 2010. Any amount added to federal taxable income on your 2010, 2011, and 2012 returns may be deducted in five equal installments beginning with the 2011, 2012, and 2013 State returns, respectively. Therefore, enter 20 percent of the section 179 expense deduction added back on your 2010, 2011, and 2012 State returns.

Line 48 - Contributions to NC College Savings Program

You may deduct up to \$2,500 (\$5,000 on a joint return) for contributions made during the taxable year to an account in the Parental Savings Trust Fund of the State Education Assistance Authority (North Carolina's National College Savings Program - NC 529 Plan), regardless of your income level.

Line 49 - Adjustment for Absorbed Non-ESB NOL Added Back in 2003, 2004, 2005, and 2006

North Carolina did not adopt the federal five year net operating loss (NOL) carry back provision authorized by the **Worker, Homeownership, and Business Assistance Act of 2009**. Relief was to be provided in future years for the portion of the individual's 2008 and 2009 NOL that was not attributable to an Eligible Small Business. An addition to federal taxable income was required for the amount of any 2008 and 2009 NOL claimed under WHBAA beyond the standard two year period. If you made the required addition, you may deduct one-third of the 2008 NOL absorbed on your 2003, 2004, and 2005 federal returns and one-third of the 2009 NOL absorbed on your 2004, 2005, and 2006 federal returns on your 2011, 2012, and 2013 State returns. For additional information see our website www.dornc.com.

Line 50 - Adjustment for Net Business Income That is Not Considered Passive Income

Certain taxpayers are allowed a deduction of up to \$50,000 of net business income included in federal adjusted gross income that is not considered passive under the Internal Revenue Code. In the case of a married couple filing a joint return where both spouses report a net business income, the maximum dollar amount applies separately to each spouse's net business income included in federal adjusted gross income, not to exceed a total of \$100,000 (maximum \$50,000 each). For additional information please refer to our website <http://www.dornc.com/practitioner/individual/directives/pd-12-2.pdf> or frequently asked questions http://www.dornc.com/taxes/individual/netbusdeduction_faq.html.

Line 51 - Other Deductions From Federal Adjusted Gross Income

- You may deduct \$250 if you were an unpaid volunteer firefighter or an unpaid volunteer rescue squad worker who attended at least 36 hours of fire department drills and meetings or 36 hours of rescue squad training and meetings during 2013. An individual may not claim a deduction as both a volunteer firefighter and a volunteer rescue squad worker. In the case of a

married couple filing a joint return, each spouse may qualify separately for the deduction.

- If you itemized your deductions and claimed the mortgage interest tax credit on your federal return because you participated in the mortgage credit certificate (MCC) program, you may deduct the amount shown on Line 3 of Federal Form 8396.

- A \$250 educator expense deduction will be allowed on the North Carolina return for 2013 to the extent a deduction has not been claimed in determining federal adjusted gross income. This deduction is allowed only to the extent the expense has not been claimed under section 162 of the Internal Revenue Code for the taxable year. In the case of a married couple filing a joint return where both spouses are eligible educators, the maximum amount is \$500.

For tax year 2013, if you elected to itemize deductions on your North Carolina return, you may deduct the amount of the charitable distributions from an IRA that would have been allowed as a charitable deduction under section 170 of the Code had you not elected to take the income exclusion under 408(d)(8) of the Code.

Note: This deduction is not subject to the charitable contributions limitation and carryover provisions under section 170 of the Code, but it is subject to the overall limitation on itemized deductions under section 68 of the Code.

Important: A taxpayer who elected to claim the American Opportunity, Hope, or Lifetime Learning credit under section 25A of the Code in lieu of the deduction for qualified tuition and expenses under section 222 of the Code is **no longer** allowed a deduction from federal adjusted gross income of the tuition and fees deduction forfeited on the federal return.

Lines 53 and 54 - Part-Year Resident/ Nonresident Worksheet

If you were a part-year resident of North Carolina during the taxable year 2013 OR if you were a nonresident and you received income from North Carolina sources, you must complete the worksheet on Page 16 to determine the portion of federal gross income, as adjusted, that is subject to North Carolina income tax. After you complete the worksheet, enter the amount from Column B, Line 34 on Form D-400, Line 53. Enter the amount from Column A, Line 34 on Form D-400, Line 54.

In Column B, enter only the portion of the North Carolina additions and deductions shown in Column A that are applicable to North Carolina. For example, if you received interest income from United States obligations of \$1,200 evenly during the year and you became a North Carolina resident on July 1, you should enter \$1,200 on Line 23 of Column A and \$600 on Line 23 of Column B.

Line Instructions for Filing Form D-400

Part-Year Resident/Nonresident Worksheet

Please retain this worksheet with your records.

Column A
Income as Shown on
Federal Return

Column B
Income Subject to
North Carolina Tax

Income

1. Wages	1.		
2. Taxable interest	2.		
3. Taxable dividends	3.		
4. State and local income tax refunds	4.		
5. Alimony received	5.		
6. Schedule C or C-EZ business income or (loss)	6.		
7. Schedule D capital gain or (loss).....	7.		
8. Other gains or (losses).....	8.		
9. Taxable amount of IRA distributions	9.		
10. Taxable amount of pensions and annuities	10.		
11. Schedule E - Rents, royalties, partnerships, S-Corps estates, trusts, etc.....	11.		
12. Schedule F - Farm income or (loss).....	12.		
13. Unemployment compensation.....	13.		
14. Taxable amount of Social Security or Railroad Retirement.....	14.		
15. Other income.....	15.		
16. Add lines 1 through 15.	16.		

North Carolina Additions To Federal Adjusted Gross Income

17. Interest income from obligations of states other than NC	17.		
18. Adjustment for bonus depreciation <i>(Enter in Col. A the amount from Line 35, Form D-400)</i>	18.		
19. Adjustment for section 179 deduction <i>(Enter in Col. A the amount from Line 36, Form D-400)</i>	19.		
20. Other additions to federal adjusted gross income that relate to gross income.....	20.		
21. Add Lines 16, 17, 18, 19, and 20.	21.		

North Carolina Deductions From Federal Adjusted Gross Income

22. State and local income tax refund <i>(from Line 4 above)</i>	22.		
23. Interest from obligations of the United States or United States' possessions	23.		
24. Taxable portion of Social Security or Railroad Retirement benefits	24.		
25. Bailey retirement benefits <i>(Enter in Col. A the amount from Line 43, Form D-400)</i>	25.		
26. Other retirement benefits <i>(Enter in Col. A the amount from Line 44, Form D-400)</i>	26.		
27. Severance wages <i>(Enter in Col. A the amount from Line 45, Form D-400)</i>	27.		
28. Adjustment for bonus depreciation <i>(Enter in Col. A the total of the amount on Line 46f, Form D-400)</i>	28.		
29. Adjustment for 179 expense deduction <i>(Enter in Col. A the amount from Line 47d, Form D-400)</i> ...	29.		
30. Adjustment for absorbed Non-ESB NOL added back in 2003, 2004, 2005 and 2006 <i>(Enter in Col. A the amount from Line 49, Form D-400)</i>	30.		
31. Adjustment for net business income that is not considered passive income <i>(Enter in Col. A the amount from Line 50, Form D-400)</i>	31.		
32. Other deductions from federal adjusted gross income that relate to gross income.....	32.		
33. Add lines 22 through 32.	33.		
34. Line 21 minus line 33	34.		

- Enter the amount from **Column B, Line 34** on Form D-400, Page 4, Line 53.
- Enter the amount from **Column A, Line 34** on Form D-400, Page 4, Line 54.

↑
*(Enter this amount on
Form D400, Line 54)*

↑
*(Enter this amount on
Form D400, Line 53)*

General Information for Claiming Tax Credits - Form D-400TC

► Credit for Tax Paid to Another State or Country

When income is taxed by North Carolina for a period during which you were 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. Attach a copy of the return filed with the other state or country and a copy of the check or receipt if a balance of tax was paid with the return.

Complete the North Carolina return and include all income both within and outside the State. Compute the tax as though no credit is to be claimed. Complete Part 1 of Form D-400TC to determine the allowable tax credit. **The amount entered on Line 1, Part 1 of Form D-400TC is total income from all sources received while a resident of North Carolina**, adjusted by the applicable additions and/or deductions to federal adjusted gross income that relate to gross income that you listed on Form D-400, Page 3. The amount of **net tax paid** on Line 6 is any prepayment of tax (tax withheld, estimated tax payments, amount paid with extension, etc.) plus any additional tax paid or **less any refunds** received or expected to be received. Attach a copy of the tax return filed with the other state and proof of the payment.

Include on Line 2, Part 1 of Form D-400TC your 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. Include on Line 6, Part 1, Form D-400TC the net tax you paid another state on your

share of S Corporation income or your 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 to your return showing the total amount of tax paid to the other state by the S Corporation, and how your pro rata share of the tax was determined.

If you claim credit for tax paid to more than one state or country, use the worksheet below to determine the tax credit allowable for each state or country. Determine the total credits for all states by adding the amount on Line 7 of each worksheet and enter the total on Form D-400TC, Line 7a. Be sure to use separate worksheets to determine the separate credits for each state or country.

Nonresidents are not entitled to this tax credit.

Out-of-State Tax Credit Worksheet

1. Total income from all sources (combined for joint filers) from Federal Form 1040, Line 22; 1040A, Line 15; or 1040EZ, Line 4, while a resident of North Carolina, adjusted by the applicable additions shown on Lines 34, 35, 36, and 38 and applicable deductions shown on Lines 40 through 47d and Lines 49, 50, and 51 of Form D-400. Do not make an adjustment for domestic production activities included on Line 38 or for any portion of Line 38 or 51 that does not relate to 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 (Round to four decimal places) 3. _____
4. Enter total North Carolina income tax (From Form D-400, Line 18)..... 4. _____
5. Multiply Line 3 by Line 4 5. _____
6. Amount of net tax paid to the other state or country on the income shown on Line 2 (See instructions beginning on Page 16 for definition of net tax paid) 6. _____
7. Enter the lesser of Line 5 or Line 6..... 7. _____

▶ Earned Income Tax Credit (Refundable)

The State credit is 4.5% (.045) of the federal earned income tax credit allowed under Section 32 of the Code. If you are eligible for the federal earned income tax credit, complete Part 5 of Form D-400TC to determine your State credit.

A part-year resident or nonresident may claim a prorated credit based on the percentage of income that is subject to North Carolina tax.

▶ Credit for Child and Dependent Care Expenses

If you are entitled to claim an income tax credit for child and dependent care expenses on your federal return, you may claim a tax credit for such expenses on your North Carolina return.

For dependents who were age seven or older and not physically or mentally incapable of caring for themselves, the credit is from 7% to 9% of the federal employment-related expenses, depending on your filing status and federal adjusted gross income. For dependents who were under the age of seven and dependents who were physically or mentally incapable of caring for themselves, the tax credit is from 10% to 13% of the qualified federal employment-related expenses, depending on your filing status and your federal adjusted gross income. The federal employment-related expense is shown on Line 3 of Federal Form 2441. The total amount shown on Line 8, Part 2 of Form D-400TC cannot exceed \$3,000 for one dependent or \$6,000 for two or more dependents.

A part-year resident or nonresident may claim a prorated credit based on the percentage of income that is subject to North Carolina tax.

For a dependent who reaches age seven during the taxable year and who is not physically or mentally incapable of caring for himself, the tax credit for employment-related expenses incurred prior to the dependent's 7th birthday will be calculated using the applicable percentage in **Column A**, and the tax credit for employment related expenses incurred after the dependent becomes age seven will be calculated by using the applicable percentage in **Column B**. You must use the table below to determine the amounts to enter on Lines 10 and 12 of Form D-400TC.

Child and Dependent Care Credit Table

Filing Status	Federal Adjusted Gross Income (Form D-400, Line 6)	Column A	Column B
<u>Head of Household</u>	Up to \$20,000	.13	.09
	Over \$20,000 up to \$32,000	.115	.08
	Over \$32,000	.10	.07
<u>Joint Return or Surviving Spouse</u>	Up to \$25,000	.13	.09
	Over \$25,000 up to \$40,000	.115	.08
	Over \$40,000	.10	.07
<u>Single</u>	Up to \$15,000	.13	.09
	Over \$15,000 up to \$24,000	.115	.08
	Over \$24,000	.10	.07
<u>Married Filing Separately</u>	Up to \$12,500	.13	.09
	Over \$12,500 up to \$20,000	.115	.08
	Over \$20,000	.10	.07

General Information for Claiming Tax Credits - Form D-400TC

► Credit for Children

You may claim a child tax credit of \$100 on your State return for each dependent child for whom you are entitled to claim a child tax credit on your federal return if your federal adjusted gross income (Form D-400, Line 6) is less than the following amount shown for your filing status: **Married filing jointly/qualifying widow(er) - \$100,000; Head of household - \$80,000; Single - \$60,000; or Married filing separately - \$50,000.**

The credit for children can be claimed only for a child who was under 17 years of age on the last day of the year. A part-year resident or nonresident may claim a prorated credit based on the percentage of income that is subject to North Carolina tax.

Complete Form D-400TC, Part 3 to determine the allowable credit.

► Credit for Charitable Contributions by Nonitemizers

If you claimed the North Carolina standard deduction on your return, you may claim a tax credit for charitable contributions. You may not claim the credit if you claimed North Carolina itemized deductions on your return. The allowable credit equals 7% of the amount by which your charitable contributions for the taxable year exceed 2% of your federal adjusted gross income. The credit may not be claimed for contributions for which credits for certain real property donations, gleaned crops, or recycling oyster shells are claimed. A part-year resident or nonresident may claim a prorated credit based on the percentage of income that is subject to North Carolina tax. The credit may not exceed the tax liability for the tax year, reduced by other tax credits. Complete the following worksheet to determine the allowable credit.

Worksheet for Determining Tax Credit for Charitable Contributions

Note: You may not claim this credit if you claimed North Carolina itemized deductions on your return.

1. Enter the amount of your charitable contributions for the taxable year1. _____
2. Multiply your federal adjusted gross income (Form D-400, Line 6) by 2% and enter the result here.
(Federal AGI _____ X .02)2. _____
3. Subtract Line 2 from Line 1. If Line 2 equals or exceeds Line 1, **STOP HERE**. Enter - 0 - on Form D-400TC, Line 20b3. _____
4. Multiply Line 3 by 7% (.07) and enter the result. **Full-year residents enter this amount here and on Line 7**4. _____
5. **Part-year residents and nonresidents** - enter the decimal amount from Line 16 of Form D-400. (If Line 16 is more than 1.0000, skip Lines 5 and 6, and enter the amount from Line 4 on Line 7)5. _____
6. Multiply the amount on Line 4 by the decimal amount on Line 5. Enter the result here and on Line 76. _____
7. Credit for charitable contributions (Enter on Form D-400TC, Line 20b)7. _____

► Credit for Premiums Paid on Long-Term Care Insurance Contracts

If your federal adjusted gross income (Form D-400, Line 6) is less than the following amounts for your filing status (**Married filing jointly/qualifying widow(er) - \$100,000; Head of household - \$80,000; Single - \$60,000; or Married filing separately - \$50,000**), a tax credit is allowed for the qualifying premiums you paid during the taxable year on a qualified long-term care insurance contract(s) (as defined in section 7702B of the Internal Revenue Code) that provides insurance coverage for yourself, your spouse, or a dependent for whom you are allowed to claim a personal exemption on your federal return. **Medical insurance premiums that you pay for general health care, hospitalization, or disability insurance do not qualify as premiums paid for a long-term care insurance contract.** A long-term care insurance contract is any insurance contract under which the only insurance protection provided is for coverage of qualified long-term care services as defined in section 7702B of the Internal Revenue Code. Qualified long-term care services are those services required by a chronically ill individual and provided under a plan of care prescribed by a licensed health care practitioner.

The credit is 15% of the premiums paid but may not exceed \$350 for each qualified long-term care insurance contract for which a credit is claimed.

No credit is allowed for payments that are deducted from, or not included in, your federal gross income for the taxable year. For example, payments that are not included in federal gross income are premiums paid through an employer-sponsored plan in which the payments are excluded from taxable wages (pre-taxed dollars). **If you claimed a deduction for medical expenses on Federal Schedule A, Line 4, or if you claimed a deduction for self-employed health insurance premiums on Federal Form 1040, Line 29, you are not entitled to claim this credit. However, you may claim this credit for any premiums paid for long-term care insurance that are not deductible on your federal return because of the age limitations contained in section 213(d)(10) of the Internal Revenue Code.**

A part-year resident or nonresident may claim a prorated credit based on the percentage of income that is subject to North Carolina tax.

Complete the worksheet on Page 19 to determine the allowable credit.

Worksheet for Determining Tax Credit for Premiums Paid on Long-Term Care Insurance Contracts

1. Enter the amount of premiums you paid on a long-term care insurance contract(s) for the taxable year. Do not include premiums that you paid through a cafeteria plan or flexible spending arrangement offered by your employer..... **1.** _____
2. Multiply Line 1 by 15% (.15). **Full-year residents enter the result here and on Line 5.** (Do not enter more than \$350 per contract)..... **2.** _____
3. **Part-year residents and nonresidents** - enter the decimal amount from Line 16 of Form D-400. (If Line 16 is more than 1.0000, skip Lines 3 and 4, and enter the amount from Line 2 on Line 5)..... **3.** _____
4. Multiply the amount on Line 2 by the decimal amount from Line 3. Enter the result here and on Line 5 **4.** _____
5. Credit for long-term care insurance premiums (Enter on Form D-400TC, Line 21)..... **5.** _____

▶ Credit for Adoption Expenses

You may claim an adoption tax credit on your State return of 30% of the allowable adoption tax credit claimed on your federal return. A part-year resident or nonresident may claim a prorated credit based on the percentage of income that is subject to North Carolina tax. Any unused portion of this credit may be carried forward for the next succeeding five years. Complete the **Adoption Tax Credit Worksheet** to determine the allowable credit.

Adoption Tax Credit Worksheet

1. Enter your federal adoption credit from Federal Form 8839, Line 16 **1.** _____
2. Multiply Line 1 by 30% (.30) and enter the result **(Full year residents - enter this amount here and on Line 5)**..... **2.** _____
3. **Part-year residents and nonresidents** - enter the decimal amount from Line 16 of Form D-400. (If Line 16 is more than 1.0000, skip Lines 3 and 4, and enter the amount from Line 2 on Line 5)..... **3.** _____
4. Multiply the amount on Line 2 by the decimal amount from Line 3. Enter the result here and on Line 5 **4.** _____
5. Credit for Adoption (Enter on Form D-400TC, Line 22)..... **5.** _____

▶ Credit for Children With Disabilities Who Require Special Education

Certain taxpayers are allowed a tax credit of up to \$3,000 per semester for tuition paid for an eligible dependent child. To determine eligibility for the credit, please refer to our website <http://www.dorn.com/practitioner/individual/directives/pd-12-1.pdf>.

▶ Credit for Qualified Business Investments

A tax credit is allowed for qualifying investments in the equity securities or subordinated debt of a qualified business venture, qualified grantee business, or a qualified licensee business. The credit is 25% of the amount invested or \$50,000, whichever is less. The tax credit is not allowed for the year in which the investment is made but is allowed for the taxable year beginning during the calendar year following the calendar year in which the investment was made. Any unused credit may be carried forward for the next succeeding five years. Your basis in the equity securities or subordinated debt acquired as a result of your investment must be reduced by the amount of allowable credit.

To be eligible for the credit, you must file Form D-499, Application for Tax Credit for Qualified Business Investments, with the Secretary of Revenue. The application should be filed on or before April 15 and no later than October 15 of the year following the calendar year in which the investment was made. An application filed after October 15 will not be accepted. See Page 2 of Form D-499 for additional rules and regulations for claiming the credit. The allowable credit should be shown on Form D-400TC, Line 24. You must attach a copy of the qualified business tax credit approval letter from the Department of Revenue to verify the credit claimed on the return.

▶ Credit for Disabled Taxpayer, Dependent, or Spouse

If you claimed an income tax credit on your federal tax return for being permanently and totally disabled, you are entitled to a tax credit on your North Carolina return equal to one-third (1/3) of the amount of the federal tax credit. Although the federal tax credit is also allowed for being age 65 or older, no portion of the tax credit is allowed on the North Carolina return for being age 65 or older.

You may also be entitled to a tax credit if a dependent or spouse for whom you are allowed an exemption on your federal return is permanently and totally disabled. To qualify for the credit, a statement from a physician or local health department must be attached to your return certifying that the dependent was unable to engage in any substantial gainful activity by reason of a physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months.

General Information for Claiming Tax Credits - Form D-400TC

A part-year resident or nonresident may claim a prorated credit based on the percentage of income that is subject to North Carolina tax. The allowable credit is determined by completing **Form D-429, Worksheet for Determining the Credit for the Disabled Taxpayer, Dependent or Spouse**. The credit should be shown on Form D-400TC, Line 25. You may contact the Department for Form D-429 or you may download it from our website at www.dornc.com.

Credit for Certain Real Property Donations

A tax credit is allowed for a qualified donation of an interest in real property located in North Carolina that is useful for public beach access or use, public access to public waters or trails, fish and wildlife conservation, forestland or farmland conservation, watershed protection, conservation of natural areas, conservation of natural or scenic river areas, conservation of predominately natural parkland, or historic landscape conservation. An individual is allowed a credit of 25% of the fair market value of the donated property, but may not exceed \$250,000. In the case of property owned by a married couple filing a joint return, the maximum credit for real property donations is increased to \$500,000. Previously, the maximum joint tax credit was \$250,000. To be eligible for the credit, the interest in the property must be donated in perpetuity to and accepted by the State, a local government, or a body that is both organized to receive and administer lands for conservation purposes and qualified to receive charitable contributions under the Internal Revenue Code. To support the credit, a certification by the Department of Environment and Natural Resources that the donated property is suitable for one or more of the valid public benefits described above and a self-contained or summary appraisal report must be attached to your return.

The credit may not exceed the tax liability for the tax year, reduced by other tax credits. Any unused portion of the credit may be carried forward for the next succeeding five years.

Credit for Rehabilitating Historic Structure

Income-producing – Generally, a taxpayer who is allowed a federal income tax credit under section 47 of the Internal Revenue Code for making rehabilitation expenditures for a certified historic structure located in North Carolina is allowed a credit equal to 20% of the expenditures that qualify for the federal credit (40% of expenditures if the facility at one time served as a State training school for juvenile offenders).

Nonincome-producing – Generally, a taxpayer who is not allowed a federal income tax credit under section 47 of the Internal Revenue Code and who makes rehabilitation expenses for a State-certified historic structure located in North Carolina is allowed a credit equal to 30% of the rehabilitation expenses (40% of expenditures if the facility at one time served as a State training school for juvenile offenders). To qualify for the

credit, the rehabilitation expenses must exceed \$25,000 within a 24-month period. You must attach to the return a copy of the certification obtained from the State Historic Preservation Officer verifying that the historic structure has been rehabilitated in accordance with the Secretary of the Interior's Standards for Rehabilitation.

Important: The credit for rehabilitating a historic structure must be claimed in five equal installments beginning with the taxable year in which the property is placed in service. Any unused portion of the credit may be carried forward for the succeeding five years.

Credit for Rehabilitating Historic Mill Facility

A tax credit is also allowed for rehabilitating a historic mill facility. The amount of credit depends on the location of the facility and whether it was renovated as income producing or nonincome producing property. Contact the Department of Revenue for additional information about the credit.

Credit for Property Taxes Paid by a Farmer on Farm Machinery

An individual engaged in the business of farming is allowed a credit of up to \$1,000 for the amount of property taxes paid on farm machinery or attachments and repair parts for farm machinery. Farm machinery is defined as machinery that is exempt from State sales tax under G.S. 105-164.13(1)b. The credit may not exceed the tax liability for the year, reduced by other tax credits. To support the credit, you must attach a copy of the tax receipt for the property taxes for which the credit is claimed.

Credit for Gleaned Crops

You are allowed a credit for unharvested crops which are donated to a qualified charitable organization. The credit is 10% of the season average price of the crop as determined by the North Carolina Crop and Livestock Reporting Service of the North Carolina Department of Agriculture and Consumer Services or the average price of the crop in the nearest local market for the month in which the crop is gleaned if the Crop and Livestock Reporting Service does not determine the season average price. Any unused portion of the credit can be carried forward to the next succeeding five years.

If the credit is claimed, the amount of the market price of the donated crops must be added to federal adjusted gross income in determining North Carolina taxable income.

Credit for Construction of Handicapped Dwelling Units

You are allowed a tax credit for constructing

multi-family rental units located in North Carolina which conform to Volume I-C of the North Carolina Building Code. The credit is \$550 for each dwelling unit completed during the taxable year. To support the credit, you must attach to your return a copy of the occupancy permit on which the building inspector has recorded the number of units completed during the year. If the credit exceeds the tax liability for the year reduced by all other credits, the excess may be carried over only to the succeeding tax year.

Credit for Construction of Poultry Composting Facility

You are allowed a credit for constructing a poultry composting facility in North Carolina for the composting of poultry carcasses from commercial poultry operations. The credit is 25% of the installation, materials, and equipment costs of construction paid during the taxable year, not to exceed \$1,000 for any single installation. The portion of construction costs represented by State or federal agency provided funds cannot be used in determining the credit. The credit may not exceed the tax liability for the year, reduced by other tax credits and any unused credit may not be carried over to another tax year.

In the case of property owned by the entirety, if both spouses are required to file North Carolina income tax returns, the credit may be claimed only if the spouses file a joint return.

Credit for Conservation Tillage Equipment

A credit is allowed for the purchase of certain conservation tillage equipment for use in a farming business, including tree farming. The credit is 25% of the cost of the equipment, not to exceed \$2,500 for any taxable year. Qualifying conservation tillage equipment is (1) a planter designed to minimize disturbance of the soil in planting crops or trees, including equipment that may be attached to equipment that you already own or (2) equipment designed to minimize disturbance of the soil in reforestation site preparation, including equipment that may be attached to equipment that you already own; provided, however this shall include only those items of equipment generally known as a "KG-Blade", and "drumchopper", or a "V-Blade".

The credit may be claimed only if you are the first purchaser of the equipment and may not be claimed if you purchased the equipment for use outside of North Carolina. Any excess credit may be carried forward for the next succeeding five years. The basis in any equipment for which a credit is allowed must be reduced by the amount of the credit.

Credit for Recycling Oyster Shells

A tax credit is allowed to a taxpayer who donates oyster shells for recycling to the Division of Marine Fisheries of the Department of Environment and

Natural Resources. The credit is \$1.00 per bushel of oyster shells donated. The credit is limited to the tax liability and any unused portion of the credit can be carried forward for the succeeding five years.

To support the credit, a taxpayer must obtain a certification by the Department of Environment and Natural Resources stating the number of bushels of oyster shells that were donated. A taxpayer who claims the credit must include in other additions any amount deducted for the donation of the oyster shells.

► **Business Incentive and Energy Tax Credits (*Limited to 50% of Tax Liability*)**

The following tax credits are available as incentives to new and expanding businesses or for investing in renewable energy property or low-income housing. If you believe you are entitled to one or more of the tax credits, contact the Department for Form NC-478 Series or you may download the forms from our website at www.dornnc.com. Form NC-478 Series is used to calculate and report tax credits that are limited to 50% of your tax less the sum of all other tax credits that you claim. Complete the form and attach it to the front of your income tax return.

Do not enter a qualified business investment tax credit on Line 36. Tax credits for qualified business investments are claimed on Line 24. If you are entitled to one of the following tax credits, enter the amount of the credit on Form D-400TC, Line 36.

- * Credit for investing in machinery and equipment
- Credit for creating jobs
- Credit for business property
- Credit for real property
- Credit for technology development
- Credit for interactive digital media
- * Credit for investing in central office or aircraft facility property
- * Credit for technology commercialization
- * Credit for development zone projects
- Credit for renewable fuel facility
- * Credit for investing in low-income housing
- Credit for use of North Carolina ports
- Credit for investing in renewable energy property
- Credit for work opportunity
- Credit for constructing a railroad intermodal facility
- * Credit for small business employee health benefits
- Credit for biodiesel producers
- Credit for donating funds to a nonprofit organization to enable the nonprofit to acquire renewable energy property.
- Credit for renewable energy property facility

* **These credits have expired and are only available for future installments and unused carryforwards.**

Important

Unless otherwise stated, the tax credits described in these instructions may not exceed the tax liability for the tax year, reduced by other tax credits.

North Carolina Tax Table

Use if your taxable income is less than \$68,000. If \$68,000 or more, use the Tax Rate Schedule.

Example: Mr. and Mrs. Smith are filing a joint return. Their taxable income on Line 17 of Form D-400 is \$25,320. First, they find the \$25,300-\$25,350 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is \$1,560. This is the tax amount they must write on Line 18 of Form D-400.

At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
Your tax is-					
25,200	25,250	1,638	1,553	1,660	1,596
25,250	25,300	1,642	1,557	1,663	1,599
25,300	25,350	1,645	1,560	1,667	1,603
25,350	25,400	1,649	1,564	1,670	1,606

If Line 17, Form D-400 taxable income is-		And you are-				If Line 17, Form D-400 taxable income is-		And you are-				If Line 17, Form D-400 taxable income is-		And you are-			
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
		Your tax is-						Your tax is-						Your tax is-			
\$0	\$10	\$0	\$0	\$0	\$0	1,400	1,425	85	85	85	85	2,700	2,725	163	163	163	163
10	25	1	1	1	1	1,425	1,450	86	86	86	86	2,725	2,750	164	164	164	164
25	50	2	2	2	2	1,450	1,475	88	88	88	88	2,750	2,775	166	166	166	166
50	75	4	4	4	4	1,475	1,500	89	89	89	89	2,775	2,800	167	167	167	167
75	100	5	5	5	5												
100	125	7	7	7	7	1,500	1,525	91	91	91	91	2,800	2,825	169	169	169	169
125	150	8	8	8	8	1,525	1,550	92	92	92	92	2,825	2,850	170	170	170	170
150	175	10	10	10	10	1,550	1,575	94	94	94	94	2,850	2,875	172	172	172	172
175	200	11	11	11	11	1,575	1,600	95	95	95	95	2,875	2,900	173	173	173	173
200	225	13	13	13	13	1,600	1,625	97	97	97	97	2,900	2,925	175	175	175	175
225	250	14	14	14	14	1,625	1,650	98	98	98	98	2,925	2,950	176	176	176	176
250	275	16	16	16	16	1,650	1,675	100	100	100	100	2,950	2,975	178	178	178	178
275	300	17	17	17	17	1,675	1,700	101	101	101	101	2,975	3,000	179	179	179	179
300	325	19	19	19	19	1,700	1,725	103	103	103	103	3,000					
325	350	20	20	20	20	1,725	1,750	104	104	104	104	3,000	3,050	182	182	182	182
350	375	22	22	22	22	1,750	1,775	106	106	106	106	3,050	3,100	185	185	185	185
375	400	23	23	23	23	1,775	1,800	107	107	107	107	3,100	3,150	188	188	188	188
400	425	25	25	25	25	1,800	1,825	109	109	109	109	3,150	3,200	191	191	191	191
425	450	26	26	26	26	1,825	1,850	110	110	110	110	3,200	3,250	194	194	194	194
450	475	28	28	28	28	1,850	1,875	112	112	112	112	3,250	3,300	197	197	197	197
475	500	29	29	29	29	1,875	1,900	113	113	113	113	3,300	3,350	200	200	200	200
500	525	31	31	31	31	1,900	1,925	115	115	115	115	3,350	3,400	203	203	203	203
525	550	32	32	32	32	1,925	1,950	116	116	116	116	3,400	3,450	206	206	206	206
550	575	34	34	34	34	1,950	1,975	118	118	118	118	3,450	3,500	209	209	209	209
575	600	35	35	35	35	1,975	2,000	119	119	119	119	3,500	3,550	212	212	212	212
600	625	37	37	37	37	2,000						3,550	3,600	215	215	215	215
625	650	38	38	38	38	2,000	2,025	121	121	121	121	3,600	3,650	218	218	218	218
650	675	40	40	40	40	2,025	2,050	122	122	122	122	3,650	3,700	221	221	221	221
675	700	41	41	41	41	2,050	2,075	124	124	124	124	3,700	3,750	224	224	224	224
700	725	43	43	43	43	2,075	2,100	125	125	125	125	3,750	3,800	227	227	227	227
725	750	44	44	44	44							3,800	3,850	230	230	230	230
750	775	46	46	46	46	2,100	2,125	127	127	127	127	3,850	3,900	233	233	233	233
775	800	47	47	47	47	2,125	2,150	128	128	128	128	3,900	3,950	236	236	236	236
800	825	49	49	49	49	2,150	2,175	130	130	130	130	3,950	4,000	239	239	239	239
825	850	50	50	50	50	2,175	2,200	131	131	131	131	4,000					
850	875	52	52	52	52	2,200	2,225	133	133	133	133	4,000	4,050	242	242	242	242
875	900	53	53	53	53	2,225	2,250	134	134	134	134	4,050	4,100	245	245	245	245
900	925	55	55	55	55	2,250	2,275	136	136	136	136	4,100	4,150	248	248	248	248
925	950	56	56	56	56	2,275	2,300	137	137	137	137	4,150	4,200	251	251	251	251
950	975	58	58	58	58							4,200	4,250	254	254	254	254
975	1,000	59	59	59	59	2,300	2,325	139	139	139	139	4,250	4,300	257	257	257	257
1,000	1,025	61	61	61	61	2,325	2,350	140	140	140	140	4,300	4,350	260	260	260	260
1,025	1,050	62	62	62	62	2,350	2,375	142	142	142	142	4,350	4,400	263	263	263	263
1,050	1,075	64	64	64	64	2,375	2,400	143	143	143	143	4,400	4,450	266	266	266	266
1,075	1,100	65	65	65	65	2,400	2,425	145	145	145	145	4,450	4,500	269	269	269	269
1,100	1,125	67	67	67	67	2,425	2,450	146	146	146	146	4,500	4,550	272	272	272	272
1,125	1,150	68	68	68	68	2,450	2,475	148	148	148	148	4,550	4,600	275	275	275	275
1,150	1,175	70	70	70	70	2,475	2,500	149	149	149	149	4,600	4,650	278	278	278	278
1,175	1,200	71	71	71	71	2,500	2,525	151	151	151	151	4,650	4,700	281	281	281	281
1,200	1,225	73	73	73	73	2,525	2,550	152	152	152	152	4,700	4,750	284	284	284	284
1,225	1,250	74	74	74	74	2,550	2,575	154	154	154	154	4,750	4,800	287	287	287	287
1,250	1,275	76	76	76	76	2,575	2,600	155	155	155	155	4,800	4,850	290	290	290	290
1,275	1,300	77	77	77	77	2,600	2,625	157	157	157	157	4,850	4,900	293	293	293	293
1,300	1,325	79	79	79	79	2,625	2,650	158	158	158	158	4,900	4,950	296	296	296	296
1,325	1,350	80	80	80	80	2,650	2,675	160	160	160	160	4,950	5,000	299	299	299	299
1,350	1,375	82	82	82	82	2,675	2,700	161	161	161	161						
1,375	1,400	83	83	83	83												

* This column must also be used by a qualifying widow(er)

Tax Table - Continued

If Line 17, Form D-400 taxable income is-		And you are-				If Line 17, Form D-400 taxable income is-		And you are-				If Line 17, Form D-400 taxable income is-		And you are-			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is-						Your tax is-						Your tax is-			
5,000						8,000						11,000					
5,000	5,050	302	302	302	302	8,000	8,050	482	482	482	482	11,000	11,050	662	662	666	662
5,050	5,100	305	305	305	305	8,050	8,100	485	485	485	485	11,050	11,100	665	665	669	665
5,100	5,150	308	308	308	308	8,100	8,150	488	488	488	488	11,100	11,150	668	668	673	668
5,150	5,200	311	311	311	311	8,150	8,200	491	491	491	491	11,150	11,200	671	671	676	671
5,200	5,250	314	314	314	314	8,200	8,250	494	494	494	494	11,200	11,250	674	674	680	674
5,250	5,300	317	317	317	317	8,250	8,300	497	497	497	497	11,250	11,300	677	677	683	677
5,300	5,350	320	320	320	320	8,300	8,350	500	500	500	500	11,300	11,350	680	680	687	680
5,350	5,400	323	323	323	323	8,350	8,400	503	503	503	503	11,350	11,400	683	683	690	683
5,400	5,450	326	326	326	326	8,400	8,450	506	506	506	506	11,400	11,450	686	686	694	686
5,450	5,500	329	329	329	329	8,450	8,500	509	509	509	509	11,450	11,500	689	689	697	689
5,500	5,550	332	332	332	332	8,500	8,550	512	512	512	512	11,500	11,550	692	692	701	692
5,550	5,600	335	335	335	335	8,550	8,600	515	515	515	515	11,550	11,600	695	695	704	695
5,600	5,650	338	338	338	338	8,600	8,650	518	518	518	518	11,600	11,650	698	698	708	698
5,650	5,700	341	341	341	341	8,650	8,700	521	521	521	521	11,650	11,700	701	701	711	701
5,700	5,750	344	344	344	344	8,700	8,750	524	524	524	524	11,700	11,750	704	704	715	704
5,750	5,800	347	347	347	347	8,750	8,800	527	527	527	527	11,750	11,800	707	707	718	707
5,800	5,850	350	350	350	350	8,800	8,850	530	530	530	530	11,800	11,850	710	710	722	710
5,850	5,900	353	353	353	353	8,850	8,900	533	533	533	533	11,850	11,900	713	713	725	713
5,900	5,950	356	356	356	356	8,900	8,950	536	536	536	536	11,900	11,950	716	716	729	716
5,950	6,000	359	359	359	359	8,950	9,000	539	539	539	539	11,950	12,000	719	719	732	719
6,000						9,000						12,000					
6,000	6,050	362	362	362	362	9,000	9,050	542	542	542	542	12,000	12,050	722	722	736	722
6,050	6,100	365	365	365	365	9,050	9,100	545	545	545	545	12,050	12,100	725	725	739	725
6,100	6,150	368	368	368	368	9,100	9,150	548	548	548	548	12,100	12,150	728	728	743	728
6,150	6,200	371	371	371	371	9,150	9,200	551	551	551	551	12,150	12,200	731	731	746	731
6,200	6,250	374	374	374	374	9,200	9,250	554	554	554	554	12,200	12,250	734	734	750	734
6,250	6,300	377	377	377	377	9,250	9,300	557	557	557	557	12,250	12,300	737	737	753	737
6,300	6,350	380	380	380	380	9,300	9,350	560	560	560	560	12,300	12,350	740	740	757	740
6,350	6,400	383	383	383	383	9,350	9,400	563	563	563	563	12,350	12,400	743	743	760	743
6,400	6,450	386	386	386	386	9,400	9,450	566	566	566	566	12,400	12,450	746	746	764	746
6,450	6,500	389	389	389	389	9,450	9,500	569	569	569	569	12,450	12,500	749	749	767	749
6,500	6,550	392	392	392	392	9,500	9,550	572	572	572	572	12,500	12,550	752	752	771	752
6,550	6,600	395	395	395	395	9,550	9,600	575	575	575	575	12,550	12,600	755	755	774	755
6,600	6,650	398	398	398	398	9,600	9,650	578	578	578	578	12,600	12,650	758	758	778	758
6,650	6,700	401	401	401	401	9,650	9,700	581	581	581	581	12,650	12,700	761	761	781	761
6,700	6,750	404	404	404	404	9,700	9,750	584	584	584	584	12,700	12,750	764	764	785	764
6,750	6,800	407	407	407	407	9,750	9,800	587	587	587	587	12,750	12,800	767	767	788	767
6,800	6,850	410	410	410	410	9,800	9,850	590	590	590	590	12,800	12,850	770	770	792	770
6,850	6,900	413	413	413	413	9,850	9,900	593	593	593	593	12,850	12,900	774	774	795	774
6,900	6,950	416	416	416	416	9,900	9,950	596	596	596	596	12,900	12,950	777	777	799	777
6,950	7,000	419	419	419	419	9,950	10,000	599	599	599	599	12,950	13,000	781	779	802	779
7,000						10,000						13,000					
7,000	7,050	422	422	422	422	10,000	10,050	602	602	602	602	13,000	13,050	784	782	806	782
7,050	7,100	425	425	425	425	10,050	10,100	605	605	605	605	13,050	13,100	788	785	809	785
7,100	7,150	428	428	428	428	10,100	10,150	608	608	608	608	13,100	13,150	791	788	813	788
7,150	7,200	431	431	431	431	10,150	10,200	611	611	611	611	13,150	13,200	795	791	816	791
7,200	7,250	434	434	434	434	10,200	10,250	614	614	614	614	13,200	13,250	798	794	820	794
7,250	7,300	437	437	437	437	10,250	10,300	617	617	617	617	13,250	13,300	802	797	823	797
7,300	7,350	440	440	440	440	10,300	10,350	620	620	620	620	13,300	13,350	805	800	827	800
7,350	7,400	443	443	443	443	10,350	10,400	623	623	623	623	13,350	13,400	809	803	830	803
7,400	7,450	446	446	446	446	10,400	10,450	626	626	626	626	13,400	13,450	812	806	834	806
7,450	7,500	449	449	449	449	10,450	10,500	629	629	629	629	13,450	13,500	816	809	837	809
7,500	7,550	452	452	452	452	10,500	10,550	632	632	632	632	13,500	13,550	819	812	841	812
7,550	7,600	455	455	455	455	10,550	10,600	635	635	635	635	13,550	13,600	823	815	844	815
7,600	7,650	458	458	458	458	10,600	10,650	638	638	638	638	13,600	13,650	826	818	848	818
7,650	7,700	461	461	461	461	10,650	10,700	641	641	641	641	13,650	13,700	830	821	851	821
7,700	7,750	464	464	464	464	10,700	10,750	644	644	645	644	13,700	13,750	833	824	855	824
7,750	7,800	467	467	467	467	10,750	10,800	647	647	648	647	13,750	13,800	837	827	858	827
7,800	7,850	470	470	470	470	10,800	10,850	650	650	652	650	13,800	13,850	840	830	862	830
7,850	7,900	473	473	473	473	10,850	10,900	653	653	655	653	13,850	13,900	844	833	865	833
7,900	7,950	476	476	476	476	10,900	10,950	656	656	659	656	13,900	13,950	847	836	869	836
7,950	8,000	479	479	479	479	10,950	11,000	659	659	662	659	13,950	14,000	851	839	872	839

* This column must also be used by a qualifying widow(er)

Continued on next page

2013 Tax Rate Schedule

Caution: Use **ONLY** if your taxable income (Form D-400, Line 17) is \$68,000 or more. If less, use the **North Carolina Tax Table** beginning on Page 22.

<u>If your filing status is</u>	<u>And taxable income is more than</u>	<u>But not over</u>	<u>The Tax is</u>
Single	\$ 0	\$ 12,750	6% of the amount on Line 17, D-400
	\$ 12,750	\$ 60,000	\$765 + 7% of the amount over \$12,750
	\$ 60,000	-----	\$4,072.50 + 7.75% of the amount over \$60,000
Head of Household	\$ 0	\$ 17,000	6% of the amount on Line 17, D-400
	\$ 17,000	\$ 80,000	\$1,020 + 7% of the amount over \$17,000
	\$ 80,000	-----	\$5,430 + 7.75% of the amount over \$80,000
Married Filing Jointly or Qualifying Widow(er)	\$ 0	\$ 21,250	6% of the amount on Line 17, D-400
	\$ 21,250	\$100,000	\$1,275 + 7% of the amount over \$21,250
	\$ 100,000	-----	\$6,787.50 + 7.75% of the amount over \$100,000
Married Filing Separately	\$ 0	\$ 10,625	6% of the amount on Line 17, D-400
	\$ 10,625	\$ 50,000	\$637.50 + 7% of the amount over \$10,625
	\$ 50,000	-----	\$3,393.75 + 7.75% of the amount over \$50,000

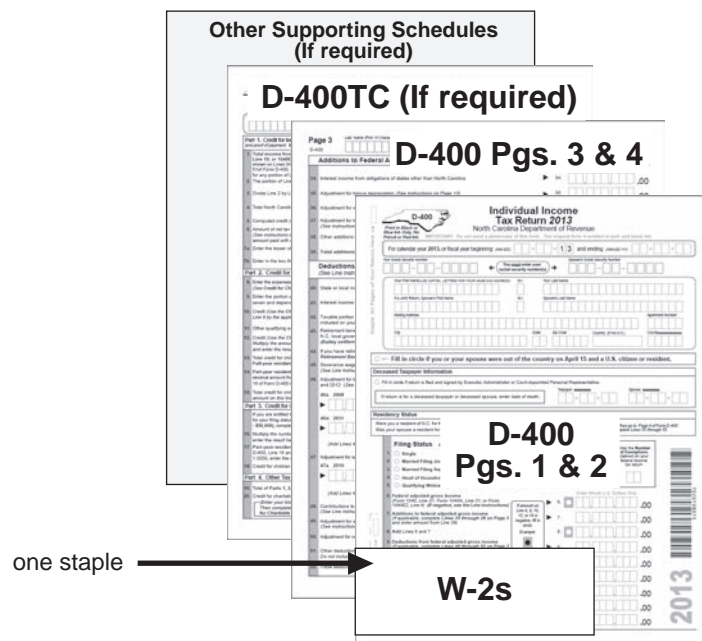
Important Reminders

- Do not submit photocopies of the return. Submit original forms only. Do not use any prior year forms to file a current year return.
- Double-check your figures, including your social security number. Accuracy speeds processing of your tax return.
- Claim the same filing status you claimed on your federal return. (Nonresidents and same-sex couples see instructions on page 7.) If you do not fill in the applicable circle to indicate your filing status, processing of your return will be delayed.
- Sign and date your return on Page 4. If you file a joint tax return, both you and your spouse must sign the return. Staple the originals or copies of the original State wage and tax statements in the lower left-hand corner of the return.
- You must include a copy of your federal return with your North Carolina return unless your federal return reflects a North Carolina address or you file electronically.
- If you owe additional tax, you can pay your tax online by bank draft or credit or debit card using Visa or MasterCard. Go to our website at www.dornc.com and click on **Electronic services** for details. If you do not pay your tax online, go to our website and generate a personalized payment voucher Form D-400V. Enclose the voucher with your return and payment, and mail to the address listed on page 4 of Form D-400. If you do not pay online or by payment voucher, mail a check or money order with your return for the full amount due. Please write "2013 D-400", and your name address, and social security number on the payment. If filing a joint return, write both social security numbers on your payment in the order that they appear on the return. **Note:** 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.

What you should send us...

- ✓ Your North Carolina income tax return (Form D-400) along with Form D-400TC if you claimed a tax credit
- ✓ W-2s and 1099s showing North Carolina tax withheld and a 1099R if you claimed a **Bailey** retirement deduction
- ✓ A check or money order payable to "N.C. Department of Revenue" if you have a balance due. (**Note:** 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.)
- ✓ Other North Carolina forms or supporting schedules that are required according to the instructions (Please do not send copies of completed worksheets from the instruction booklet or other unnecessary attachments.)
- ✓ A copy of the tax return you filed in the other state if you are claiming a tax credit for tax paid to another state

Assemble your North Carolina return for mailing in the order shown



Note: If you are filing Form NC-478 series, be sure to attach the form to the front of your income tax return.

Important: If you owe tax, do not staple, tape, or otherwise attach your check or voucher to your return or to each other. Instead, just put them loose in the envelope.

Frequently Asked Questions

Call **1-877-252-3052 (toll free)** and select the Individual Income Tax option to hear recorded information on many frequently asked individual income tax questions. Some of the questions include information on the following:

- Filing Requirements
- Tax Credits
- Information for Military Personnel
- Bills
- Payments

This service is available 24 hours a day,
seven days a week.

Important Toll Free Telephone Numbers

Automated Refund Inquiry Line..... **1-877-252-4052**
Taxpayer Assistance and Forms..... **1-877-252-3052**

Tax Assistance

Information about individual income tax and tax forms may be obtained from our website at www.dornc.com. You may also call the Taxpayer Assistance and Collection Center at **1-877-252-3052** (toll free) for additional assistance in completing your tax forms or to request forms.

Property for Sale

Looking for a bargain on good used vehicles, furniture, appliances, tools, and jewelry? Go to www.dornc.com/taxes/usub/ and click on **Items Available Through State Surplus Property Agency** or call **(919) 854-2160**.

Maintaining Records

You should keep canceled checks, receipts, or other documentation, including a copy of your federal return, to verify any amount entered on your tax return for a period of at least three years from the due date of the return or three years from the date the return is filed, whichever is later. Lack of adequate records may result in the disallowance of all or part of the deductions. Your canceled check, money order stub, or Departmental receipt showing payment of tax should be kept for at least five years from the due date of the tax return.

Important Notice Regarding Substitute Returns

Any facsimile or substitute form must be approved by the Department of Revenue prior to its use. If you use computer generated returns, the software company is responsible for requesting approval and receiving an assigned identification number. The Department publishes a list on our website of software developers who have received approval. Photocopies of the return are not acceptable. Returns that cannot be processed by our imaging and scanning equipment will be returned to the taxpayer with instructions to refile on an acceptable form.

Federal Privacy Act Notice

Disclosing your social security number on your return is required by regulations issued by the Secretary of Revenue under G.S. 105-152, 155, 251, and 252. Social security numbers are used in the administration of the State's tax laws and to exchange tax information with other states and the Internal Revenue Service. Always list your social security number on any attachments to your return and on any correspondence to the Department of Revenue.

Assistance For Disabled, Low Income, and Senior Citizen Taxpayers

If you are disabled, have a low income, or are a senior citizen, income tax returns can be prepared free of charge through the VITA (Volunteer Income Tax Assistance)/TCE (Tax Counseling for the Elderly) programs. For locations and dates of assistance, taxpayers in North Carolina can call the Internal Revenue Service toll free, **1-800-829-1040**, weekdays.

Tax Fraud Hotline 1-800-232-4939

(707-7596 in Wake County)

The Department of Revenue provides a toll free number for citizens who wish to report instances of tax fraud. The number is 1-800-232-4939 (8:00 a.m. to 5:00 p.m., Monday through Friday, except holidays) and should be called **only** to report instances of fraud.

Mailing Addresses

If you are due
a refund: ⇒ N.C. Department of Revenue
P.O. Box R
Raleigh, N.C. 27634-0001

If you are not
due a refund: ⇒ N.C. Department of Revenue
P.O. Box 25000
Raleigh, N.C. 27640-0640

100,000 copies of this booklet were printed at a cost of \$14,365 or approximately \$0.1436 each