

January 15, 2015

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

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

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

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

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

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

Staple All Pages of Your Return Here

Web-Fill  
9-14

# D-400 Individual Income Tax Return 2014

For calendar year **2014**, or fiscal year beginning (MM-DD-YY)

and ending (MM-DD-YY)

Your Social Security Number

Spouse's Social Security Number

You **must** enter your  
social security number(s)

Your First Name(USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)

M.I.

Your Last Name

If a Joint Return, Spouse's First Name

M.I.

Spouse's Last Name

Mailing Address

Apartment Number

City

State

Zip Code

Country (If not U.S.)

County (Enter first five letters)

**N.C. Education Endowment Fund:** You may contribute to the N.C. Education Endowment Fund by making a contribution or designating some or all of your overpayment to the Fund. To make a contribution, enclose Form NC-EDU and your payment of \$  
To designate your overpayment to the Fund, enter the amount of your designation on Page 2, Line 28. See instructions for information about the Fund.

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

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

Taxpayer (MM-DD-YY)

Spouse (MM-DD-YY)

Enter date of death of deceased taxpayer or deceased spouse.

## Residency Status

Were you a resident of N.C. for the entire year of 2014?

☐ Yes ☐ No

If **No**, complete Lines 1 through 12. Then go to Part D of Schedule S. Fill in residency information and complete Lines 20 through 22.

Was your spouse a resident for the entire year?

☐ Yes ☐ No

## Filing Status

Fill in one circle only. (See instructions on Page 8)

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

1. ☐ Single

2. ☐ Married Filing Jointly

3. ☐ Married Filing Separately

→ (Enter your spouse's  
full name and Social  
Security Number) Name  
SSN

4. ☐ Head of Household

5. ☐ Qualifying Widow(er) with Dependent Child (Year spouse died: )

Enter Whole U.S. Dollars Only

6. **Federal adjusted gross income**

(Form 1040, Line 37; Form 1040A, Line 21; or Form 1040EZ, Line 4) (If negative, see the Line instructions)

▶ 6.

7. **Additions to federal adjusted gross income**

(From Part A of Form D-400 Schedule S, Line 4; attach Schedule S if additions are reported.)

▶ 7.

8. Add Lines 6 and 7

8.

9. **Deductions from federal adjusted gross income**

(From Part B of Form D-400 Schedule S, Line 12; attach Schedule S if deductions are reported.)

▶ 9.

10. Subtract Line 9 from Line 8

10.

11. **N.C. standard deduction OR itemized deductions** (See instructions on Page 8)

If itemizing, complete Part C of Form D-400 Schedule S and enter the amount from Line 19; attach Schedule S.

If you claimed the standard deduction on federal form 1040, fill in circle ▶ ☐

▶ 11.

12. Subtract Line 11 from Line 10

12.

13. **Part-year residents and nonresidents**

(From Part D of Form D-400 Schedule S, Line 22; attach Schedule S if a part-year resident or nonresident)

▶ 13.

14. **North Carolina Taxable Income**

Full-year residents enter the amount from Line 12

Part-year residents and nonresidents multiply amount on Line 12 by the decimal amount on Line 13

▶ 14.

15. **North Carolina Income Tax**

To calculate your tax, multiply your North Carolina Taxable Income Line 14 by 5.8% (0.058)

▶ 15.



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Staple W-2s Here

**16. Tax Credits** (From Form D-400TC, Part 3, Line 20 - **You must attach Form D-400TC if you enter an amount on this line**) ▶ 16.

**17. Subtract** Line 16 from Line 15 17.

**18. Consumer Use Tax** (See instructions on Page 9) ▶ 18.

If you certify that no Consumer Use Tax is due, fill in circle ☐

**19. Add** Lines 17 and 18 19.

**20. North Carolina Income Tax Withheld**  
(Staple original or copy of the original State wage and tax statement(s) in lower left-hand corner of the return)

a. Your tax withheld

▶ 20a.

b. Spouse's tax withheld

▶ 20b.

**21. Other Tax Payments**

a. 2014 Estimated Tax

▶ 21a.

b. Paid with Extension

▶ 21b.

c. Partnership

▶ 21c.

d. S Corporation

▶ 21d.

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

**22. Add** Lines 20a through 21d and enter the total on Line 22 22.

**23. a. Tax Due** - If Line 19 is more than Line 22, subtract and enter the result ▶ 23a.

b. Penalties

(Add Lines 23b and 23c and enter the total on Line 23d)

c. Interest

▶

▶

23d.

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

Exception to underpayment of estimated tax

▶ 23e.

**24. Add** Lines 23a, 23d, and 23e and enter the total **Pay This Amount - You can pay online. Go to [www.dornrc.com](http://www.dornrc.com) and click on Electronic Services for details.**

24. \$

**25. Overpayment** - If Line 19 is less than Line 22, subtract and enter the result

25.

**26. Amount of Line 25 to be applied to 2015 Estimated Income Tax**

▶ 26.

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

▶ 27.

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

▶ 28.

**29. Add** Lines 26, 27, and 28

29.

**30. Subtract** Line 29 from Line 25 and enter the **Amount To Be Refunded**  
**For direct deposit, file electronically. Go to [www.dornrc.com](http://www.dornrc.com) and click on efile.**

▶ 30.

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

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

Sign Here

Your Signature

Date

Paid Preparer's Signature

Date

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

Date

Preparer's FEIN, SSN, or PTIN

Home Telephone Number (Include area code.)

Preparer's Telephone Number (Include area code.)

**If REFUND mail return to:**

N.C. DEPT. OF REVENUE  
P.O. BOX R  
RALEIGH, NC 27634-0001

**If you ARE NOT due a refund, mail return, any payment, and D-400V to:**

N.C. DEPT. OF REVENUE  
P.O. BOX 25000  
RALEIGH, NC 27640-0640