



Instructions for 2008 NC-478 Series

Purpose of the NC-478 Series

Use the NC-478 series to calculate and report tax credits that are limited to 50% of tax less the sum of all other tax credits claimed. Forms for the NC-478 series are used to calculate the specific credits available without regard to the 50% limitation and are designed to report a taxpayer's activity at an establishment or at a county level. If a taxpayer engages in an activity that qualifies for a credit at more than one establishment or county, a separate form must be filed for each credit. For additional information regarding the calculation of tax credits for multiple establishments or multiple counties, see the specific instructions for each credit. **Note.** The NC-478I is designed to report a taxpayer's activity throughout the state.

General Instructions

The NC-478 series consists of the NC-478 summary form and the applicable NC-478 letter series form for the credit. If no letter series form applies to the credit, file a schedule setting out the required information.

Listed below are the tax credits that are subject to the 50% of tax limitation and the applicable NC-478 series form on which the credit is claimed:

Article 3A Credits -

Tax Incentives for New and Expanding Businesses

- Creating New Jobs (NC-478A)
- Investing in Machinery and Equipment (NC-478B)
- Investing in Central Office or Aircraft Facility Property (NC-478E)
- Research & Development (NC-478)
- Worker Training (NC-478)
- Technology Commercialization (NC-478)
- Substantial Investment in Other Real Property (NC-478)
- Contributions to Development Zone Projects (NC-478)

Article 3B Credits -

Business and Energy Tax Credits

- Investing in Business Property (NC-478)
- Investing in Renewable Energy Property (NC-478G)
- Investing in Non-Hazardous Dry-Cleaning Equipment (NC-478)
- Renewable Fuel Facility (NC-478)
- Small Business Health Insurance (NC-478)
- Biodiesel Producers (NC-478)
- Work Opportunity (NC-478)
- Donating to a Nonprofit Organization for Investing in Renewable Energy Property (NC-478)

Article 3E Credits -

Low-Income Housing Tax Credits

- Low-Income Housing (NC-478H)

Article 3F Credits -

Research and Development

- Research and Development (NC-478I)

Article 3J Credits -

Tax Credits for Growing Businesses

- Creating New Jobs (NC-478J)
- Investing in Business Property (NC-478K)
- Investing in Real Property (NC-478L)

Article 3K Credits -

Incentives for Railroad Intermodal Facilities

- Constructing a Railroad Intermodal Facility (NC-478)

Other Credits Subject to the 50% of Tax Limit

- Use of North Carolina Ports (NC-478)
- Manufacturing Cigarettes for Export (NC-478)
- Manufacturing Cigarettes for Export While Increasing Employment (NC-478)

All of the tax credits listed are available to individuals, partnerships, estates, trusts, and corporations except the tax credit for manufacturing cigarettes for export, and the tax credit for manufacturing cigarettes for export while increasing employment, which are available only to corporations. Insurance companies with a gross premiums tax liability can claim any of the Article 3A credits or the Article 3J credits.

When to File

Both the NC-478 and any applicable NC-478 series form must be filed for any taxable year in which the taxpayer is eligible to claim a credit or an installment of a credit against the taxpayer's tax liability for that year. This requirement applies even if the taxpayer's tax liability for that year is not large enough for the taxpayer to benefit from the credit.

Place the NC-478 forms or alternative schedules at the front of the tax return, behind the CD-V payment voucher, NC-478V payment voucher, and the CD-479 Annual Report Form. **Important. Failure to include a form or required document with your tax return may result in the disallowance of these tax credits.**

Deadline for filing. To claim an Article 3A credit, an Article 3J credit, or an installment of either credit against your tax liability for 2008, you must file both the NC-478 and the applicable NC-478 series form **within 6 months after the due date for filing the tax return**, including any extensions of that date. The following example illustrates this requirement:

A calendar year taxpayer creates 10 new qualifying jobs in 2008. The taxpayer files a timely extension on April 15, 2009, which extends the due date of the tax return to October 15, 2009. Applying the six month statute of limitations, the taxpayer has until April 15, 2010 to file the NC-478J and report the 2008 credit for claiming jobs. If the taxpayer does not file a timely extension by April 15, 2009, the NC-478J would have to be filed by October 15, 2009.

Overdue Tax Debts. A taxpayer is ineligible for an Article 3A tax credit or an Article 3J credit if the taxpayer has an overdue tax debt at the time the taxpayer claims an installment or carryforward of a credit. An "overdue tax debt" is defined as "any part of a tax debt not paid within 90 days." The term does not include a tax debt for which the taxpayer has entered into a valid installment agreement with the Department.

Pass-through entities. A pass-through entity must provide sufficient information about the tax credits to its owners or beneficiaries to allow them to complete the NC-478 series. The information must be provided on, or as an attachment to, the NC K-1 provided to the owner or beneficiary. An owner or beneficiary should add the credits passed through by a pass-through entity to any credits the owner or beneficiary qualifies for directly when completing the NC-478 series. (See instructions for an example of the computation of these tax credits for pass-through entities.)

Short-period returns. If a taxpayer is required to file more than one tax return during a year, each return constitutes a year for purposes of taking an installment of a credit or any unused portion of a credit.

Fee for Article 3A Credits. A taxpayer that engages in an activity that qualifies for an Article 3A credit, other than the credit for contributions to a development zone project, must pay a \$500 fee for each Article 3A credit it intends to claim if the activity that qualifies for the credit occurred at an establishment in a Tier 3, 4, or 5 area. The maximum fee is \$1,500 per year. The fee does not apply to an activity occurring at an establishment that is in a Tier 1 or 2 area, in a development zone, or in an agrarian growth zone. If the activity is conducted by a pass-through entity, the pass-through entity, not its owners to which the credit is allocated, is subject to the fee.

The taxpayer must pay the fee to the Department of Revenue when filing the tax return for the taxable year in which the taxpayer engages in the activity that qualifies for the credit. The fee is due at the same time the tax return is due and the credit will not be allowed until the fee is paid. Use the NC-478V form, available from the Department's website, to report the fee that is due. **Include a separate check for the total fee due, payable in U.S. currency, with the completed voucher.**

Fee for Article 3J Credits. A taxpayer that engages in an activity that qualifies for an Article 3J credit must pay a \$500 fee for each Article 3J credit it intends to claim. **There is no maximum fee for Article 3J credits and no exclusions for establishments located in distressed areas.** If the activity is conducted by a pass-through entity, the pass-through entity, not its owners to which the credit is allocated, is subject to the fee.

NC-478 - Summary of Tax Credit Limited to 50% of Tax

Part 1. Tax Credits Subject to 50% of Tax Limitation. After completing the applicable parts on the NC-478 series forms, enter the "Credit Amount to Take in Tax Year 2008" from each form on the appropriate line in Part 1 of NC-478. Add Lines 1 through 18 and enter the total on Line 19. **This is the total amount of tax credits available in 2008 subject to the 50% of tax limitation.**

If claiming a credit for use of North Carolina ports, complete and attach form NC-414. If claiming a credit for cigarettes for export, cigarettes for export while increasing employment, substantial investment, development zone projects, small business health insurance, work opportunity, constructing a railroad intermodal facility, biodiesel producers, or donating funds to a nonprofit organization, complete and attach a separate schedule showing how you calculated the credit.

Individuals, partnerships, and trusts or estates enter the credits only in the income column because franchise tax is not required for these types of entities. **Partnerships** enter only the portion of each credit that is allocable to their nonresident partners on whose behalf the managing partner pays the tax. **All corporations** may elect to claim each credit against franchise or income tax except for the credit for use of North Carolina ports, the credit for manufacturing cigarettes for export, or the credit for manufacturing cigarettes for export while increasing employment. Those three credits may only be claimed against income tax. The credit for technology commercialization (Article 3A), the credit for creating jobs (Article 3J), the credit for investing in business property (Article 3J), and the credit for investing in real property (Article 3J) may be divided

between franchise and income tax. The election of which tax the Article 3J credits will be claimed against or what percentage of the credits are applied against each tax is allowed without regard to the original election regarding the division of the credit. However, the election for the credit for technology commercialization under Article 3A is binding for all future installments and carryforwards of that credit.

S corporations enter the total amount of credit being applied against franchise tax. However, S corporations enter in the income column only the portion of each credit that is allocable to the nonresident shareholders on whose behalf a composite return is filed. **Insurance companies** may claim the credits against the gross premiums tax by entering the total amount of credit in the franchise column.

Part 2. Computation of 50% Limit. Complete Part 2 to determine if the total credits calculated in Part 1 must be reduced because the total credits available in 2008 exceed 50% of the tax due in 2008 less other credits not subject to the 50% of tax limit.

Line 20 - Individuals enter the amount of tax due from form D-400, Line 14. **Partnerships** add the amounts on form D-403, Part 3, Line 17 for each nonresident partner and enter the total. **Trusts and estates** enter the amount of tax due from form D-407, Line 8. **C corporations** enter the amount of franchise tax due from form CD-405, Schedule A, Line 5, in the franchise column, and the amount of income tax due from form CD-405, Schedule B, Line 26, in the income column. **S corporations** enter the amount of franchise tax due from form CD-401S, Schedule A, Line 5, in the franchise column and the amount of income tax due for nonresident shareholders filing composite from form CD-401S, Schedule B, Line 21, in the income column. **Insurance companies** enter the total amount of gross premiums tax.

Line 21 - Individuals enter the amount from form D-400TC, Line 34. **Corporations** enter the amount from form CD-425, Part 1, Line 6, in the franchise column, and the amount from form CD-425, Part 3, Line 24, in the income column. **Partnerships** enter the amount from form D-403TC, Line 8. **Trusts and estates** enter the amount from form D-407TC, Line 9.

Line 24 - Enter the lesser of Part 1, Line 19, or Part 2, Line 23.

Part 3. Amount of Each Credit Taken in 2008. If the amount of available credits on Part 1, Line 19 is less than the amount on Part 2, Line 23, then the total amount of eligible tax credits available in 2008 does not exceed 50% of the 2008 tax liability. Enter on Part 3, Line 25 through 42 the same amounts entered on Part 1, Lines 1 through 18.

If the amount of available credits on Part 1, Line 19, is greater than the amount on Part 2, Line 23, then the total amount of eligible tax credits available in 2008 exceeds 50% of the 2008 tax liability. The amount of eligible tax credits from Part 1, Line 19, must be reduced to equal the amount on Part 2, Line 24. A taxpayer may choose how to allocate the allowable amount of credit (Line 24) among the credits for which it is eligible (Lines 1 through 18) by completing Lines 25 through 42. If the amount of eligible credit in Part 1 exceeds the amount of allocated credit in Part 3, a taxpayer may be eligible to carry forward the excess amount to the next year.

Line 43 - Add Lines 25 through 42 and enter the total. This amount can not exceed the amount on Part 2, Line 24. **This is the total amount of tax credits actually taken in 2008.**

Individuals enter the amount of tax credits on form D-400TC, Part 4, Line 35. **Partnerships** enter the amount of tax credits on form D-403TC, Part 2, Line 11. **Trusts and estates** enter the amount of tax credits on form D-407TC, Part 2, Line 12. **Corporations** enter the total amount of tax credits applied against franchise tax on form CD-425, Part 2, Line 10, and the total amount of tax credits applied against income tax on form CD-425, Part 4, Line 28. **Insurance companies** claim the amount of tax credits on the gross premiums tax return.

Tax Incentives for New and Expanding Businesses Article 3A Credits

Subject to the exceptions provided in G.S. 105-129.2A(a1), (a2), (a3) and (a4), the tax incentives for new and expanding businesses expired for business activities that occurred in taxable years beginning on or after January 1, 2007. Taxpayers who took these credits during the eligible periods may continue to take the remaining installments and carryforwards of prior years' credits. For detailed information concerning the expiration of Article 3A tax credits, go to the Department's website, www.dornc.com, click on "Tax Professionals", and select "Corporate Income and Franchise Tax Law".

Eligibility Requirements

In general, a taxpayer must satisfy all of the following general eligibility requirements to qualify for any of the Article 3A credits:

- Be an eligible business type as described below
- Meet the wage standard specified for each credit
- Provide health insurance for employees as specified for the credit
- Have a good environmental record
- Have a good Occupational Safety and Health Act (OSHA) record

Important. Taxpayers do not have to satisfy a wage standard test with respect to the credit for substantial investment in other property. The wage standard test also does not apply to any credit in a tier one or tier two area or a development zone.

Eligible Business Types. A taxpayer must meet one of the following descriptions to be eligible for an Article 3A credit:

Central Office or Aircraft Facility. The taxpayer operates a central office or aircraft facility that creates at least 40 new jobs and the jobs, investment, and activity with respect to which the credit is claimed are used in that office or facility. Generally, 40 new jobs are created if the taxpayer hires at least 40 additional full-time employees to fill new positions at the office within 12 months after the taxpayer first uses the property as a central office or aircraft facility. If a taxpayer uses temporary space, however, for the central office or aircraft facility functions during completion of the central office or aircraft facility property, the jobs must be created during the period starting 24 months before and ending 12 months after the completion of the property.

Air Courier Services or Data Processing. The primary business of the taxpayer is one of the following and the jobs, investment, and activity with respect to which a credit is claimed are used in that business:

1. Air courier services
2. Data processing

Manufacturing, Warehousing, or Wholesale Trade. The primary business of the taxpayer is one of the following and the jobs, investment, and activity with respect to which a credit is claimed are used in any of the listed businesses:

1. Manufacturing
2. Warehousing
3. Wholesale trade

Computer Services or Electronic Mail Order House. The primary business of the taxpayer or the primary activity of an establishment of the taxpayer is one of the following and the jobs, investment, and activity with respect to which a credit is claimed are used in that business:

1. Computer services
2. An electronic mail order house that creates at least 250 new jobs and is located in an enterprise tier one, tier two, or tier three area.

Customer Service Center. The taxpayer operates a customer service center and meets all of the following conditions:

1. The taxpayer's primary business is a telecommunications or financial services company as defined by NAICS.
2. The primary activity of an establishment of the taxpayer is a customer service center located in an enterprise tier one, tier two, or tier three area.
3. The jobs, investment, and activity with respect to which a credit is claimed are used in the operation of the customer service center.

Warehousing at Establishment. The primary activity of an establishment of the taxpayer is warehousing and the taxpayer meets both of the following conditions:

1. The warehousing establishment is located in an enterprise tier one, tier two, or tier three area and serves 25 or more establishments of the taxpayer in at least five different counties in one or more states.
2. The jobs, investment, and activity with respect to which a credit is claimed are used in the warehousing establishment.

NC-478A - Creating New Jobs

Subject to the exceptions provided in G.S. 105-129.2A(a1), (a2), (a3) and (a4), the credit for creating new jobs expired for taxable years beginning on or after January 1, 2007. However, if you qualified for the credit under the exceptions, you must compute the credit amount for jobs created in 2008 on a separate schedule.

In addition, if you conducted an activity that qualifies for the creating new jobs credit under Article 3A, you may not take any credits under Article 3J with respect to the same establishment for activities occurring in 2008.

The following instructions for completing Part 2 and Part 3 of the NC-478A apply to taxpayers that continue to take installments of the credit and any carryforward of prior years' installments.

Part 2. Computation of Amount To Be Taken in 2008. (The information requested for Part 2 is a cumulative total for all establishments and should be entered only once on the last NC-478A filed.)

- Line 1.** Enter the 2007 installment amount.
(From 2007 NC-478A, Part 2, Line 6.)
- Line 2.** Enter the 2006 installment amount.
(From 2006 NC-478A, Part 2, Line 6.)
- Line 3.** Enter the 2005 installment amount.
(From 2005 NC-478A, Part 2, Line 6.)
- Line 4.** Enter the 2004 installment amount.
(From 2004 NC-478A, Part 2, Line 6.)
- Line 5.** Enter the portion of installment amounts not taken for tax years 1999 through 2006.
- Line 6.** Add Lines 1 through 5. **This is the amount of credit to take in 2008 for creating jobs.** (Carry amount to Line 1a of NC-478.)

Part 3. Jobs Credit History Table. (The information requested for Part 3 is a cumulative total for all establishments and should be entered only once on the last NC-478A filed. The installment portion of Credit History Table can not be completed in its entirety until after completing Part 3 of NC-478.)

Highest Number of Full-time Employees in North Carolina During Year In the 2007 column, enter the highest number of full-time employees in North Carolina during tax year 2007. In the 2004 through 2006 columns, enter the number of full-time employees in North Carolina for each year as previously reported on NC-478A.

Credit Amount In the 2007 column, enter the credit amount for all jobs created in tax year 2007. In the 2004 through 2006 columns, enter the credit amount as calculated on the prior years' NC-478A.

Installments In the 2004 through 2006 columns, enter the amount of installment actually taken in each tax year. The amount of installment taken includes the amount of each year's installment utilized during that tax year plus any unused portion of a prior year's installment taken in that tax year. (For more information on the Credit History Table, see the detailed example.)

Carryforwards Taken If any portion of a prior year's installment is taken in tax year 2008, enter the amount in the applicable column. (**Important.** Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2008 a portion of a prior year's installment is utilized.)

Carryforwards To Take In Future If the current year's installment is not fully utilized in tax year 2008, enter the amount not taken as a carryforward to take in the future. (**Important.** Carryforwards to take in the future do not include eligible installments to be taken in future years. Carryforwards to take in the future should only be entered if in 2008 a portion of a current year's installment can not be utilized due to the 50% of tax limitation.)

Expired Installments If an installment expires, enter the amount of expired credit in the applicable column. The credit for creating jobs expires if a taxpayer fails to meet the general eligibility requirements described previously, or if, in one of the four years in which an installment accrues, the number of full-time employees falls below the number of full-time employees required to maintain the credit. (For a detailed example on how to calculate the amount of expired installment, see the "**Guidelines for Article 3A Tax Credits**" available from the Department's website.)

Pass-through Entities. S corporations claiming the credit for creating new jobs against income tax complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 2, Line 6 among the shareholders. Complete Parts 2 and 3 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. On Part 2, Line 5, include only the carryforwards for those nonresident shareholders on whose behalf a composite return is filed in both the prior year and the current year. **Partnerships** complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 2, Line 6 among the partners. Complete Parts 2 and 3 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. On Part 2, Line 5, include only the carryforwards for those nonresident partners on whose behalf the partnership pays tax in both the prior year and the current year. **Trusts and estates** complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 2, Line 6 among the fiduciary and the beneficiaries. Complete Parts 2 and 3 by including only the amount allocated to the fiduciary.

NC-478B - Investing in Machinery & Equipment

Subject to the exceptions provided in G.S. 105-129.2A(a1), (a2), (a3) and (a4), the credit for investing in machinery & equipment expired for taxable years beginning on or after January 1, 2007. However, if you qualified for the credit under the exceptions, you must compute the credit amount for machinery & equipment placed in service in 2008 on a separate schedule.

In addition, if you conducted an activity that qualifies for the investing in machinery and equipment credit under Article 3A, you may not take any credits under Article 3J with respect to the same establishment for activities occurring in 2008.

The following instructions for completing Part 2 and Part 3 of the NC-478B apply to taxpayers that continue to take installments of the credit and any carryforward of prior years' installments.

Part 2. Computation of Amount To Be Taken in 2008. (The information requested for Part 2 is a cumulative total for all establishments and should be entered only once on the last NC-478B filed.)

- Line 1.** Enter the 2007 installment amount.
(From 2007 NC-478B, Part 2, Line 10.)
- Line 2.** Enter the 2006 installment amount.
(From 2006 NC-478B, Part 2, Line 10.)
- Line 3.** Enter the 2005 installment amount.
(From 2005 NC-478B, Part 2, Line 10.)
- Line 4.** Enter the 2004 installment amount.
(From 2004 NC-478B, Part 2, Line 10.)

- Line 5.** Enter the 2003 installment amount.
(From 2003 CD-478B, Part 2, Line 10.)
- Line 6.** Enter the 2002 installment amount.
(From 2002 CD-478B, Part 2, Line 10.)
- Line 7.** Enter the 2001 installment amount.
(From 2001 CD-478B, Part 1, Line 9.)
- Line 8.** Enter the portion of installment amounts not taken for tax years 1996 through 2006.
- Line 9.** Add Lines 1 through 8. **This is the amount of credit to take in 2008 for investing in machinery and equipment.** (Carry amount to Line 2 of NC-478.)

Part 3. Machinery and Equipment Credit History Table. (The information requested for Part 3 is a cumulative total for all establishments and should be entered only once on the last NC-478B filed. The installment portion of Credit History Table can not be completed in its entirety until after completing Part 3 of NC-478.)

Credit Amount In the 2007 column, enter the total credit amount for investing in machinery and equipment in tax year 2007. In the 2001 through 2006 columns, enter the total credit amount as calculated on the prior years' NC-478B.

Installments In the 2001 through 2006 columns, enter the amount of installment actually taken in each tax year. The amount of installment taken includes the amount of each year's installment utilized during that tax year plus any unused portion of a prior year's installment taken in that tax year. (For more information on the Credit History Table, see the detailed example.)

Carryforwards Taken If any portion of a prior year's installment is taken in tax year 2008, enter the amount in the applicable column. (**Important.** Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2008 a portion of a prior year's installment is utilized.)

Carryforwards To Take In Future If the current year's installment is not fully utilized in tax year 2008, enter the amount not taken as a carryforward to take in the future. (**Important.** Carryforwards to take in the future do not include eligible installments to be taken in future years. Carryforwards to take in the future should only be entered if in 2008 a portion of a current year's installment can not be utilized due to the 50% of tax limitation.)

Expired Installments If an installment expires, enter the amount of expired credit in the applicable column. The credit for investing in machinery and equipment expires if a taxpayer fails to meet the general eligibility requirements described previously. Generally, installments expire if the machinery and equipment are disposed of, taken out of service, or moved out of North Carolina prior to the end of the seven-year period in which the credit is claimed. (For a detailed example on how

to calculate the amount of expired installment, see the "Guidelines for Article 3A Tax Credits" available from the Department's website.)

Pass-through Entities. S corporations claiming the credit for investing in machinery and equipment against income tax complete Parts 2 and 3 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. On Part 2, Line 8, include only the carryforwards for those nonresident shareholders on whose behalf a composite return is filed in both the prior year and the current year. **Partnerships** complete Parts 2 and 3 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. On Part 2, Line 8, include only the carryforwards for those nonresident partners on whose behalf the partnership pays tax in both the prior year and the current year. **Trusts and estates** complete Parts 2 and 3 by including only the amount allocated to the fiduciary.

NC-478C - Research and Development

The credit for research and development in Article 3A expired for taxable years beginning on or after January 1, 2006. If you qualified for the Article 3A research and development credit prior to January 1, 2006, you can continue to take carryforwards of prior years' credits by entering the amount on NC-478, Line 3a.

NC-478D - Worker Training

The credit for worker training in Article 3A expired for taxable years beginning on or after January 1, 2007. If you qualified for the Article 3A worker training credit prior to January 1, 2007, you can continue to take carryforwards of prior years' credits by entering the amount on NC-478, Line 4.

NC-478E - Investing in Central Office or Aircraft Facility Property

Subject to the exceptions provided in G.S. 105-129.2A(a1), (a2), (a3) and (a4), the credit for investing in central office or aircraft facility property expired for taxable years beginning on or after January 1, 2007. However, if you qualified for the credit under the exceptions, you must compute the credit amount for central office or aircraft facility property placed in service in 2008 on a separate schedule.

In addition, if you conducted an activity that qualifies for the investing in central office or aircraft facility property credit under Article 3A, you may not take any credits under Article 3J with respect to the same establishment for activities occurring in 2008.

The following instructions for completing Part 3 and Part 4 of the NC-478E apply to taxpayers that continue to take installments of the credit and any carryforward of prior years' installments.

Part 3. Computation of Amount To Be Taken in 2008. (The information requested for Part 3 is a cumulative total for all establishments and should be entered only once on the last NC-478E filed.)

- Line 1.** Enter the 2007 installment amount.
(From 2007 NC-478E, Part 3, Line 13.)
- Line 2.** Enter the 2006 installment amount.
(From 2006 NC-478E, Part 3, Line 13.)
- Line 3.** Enter the 2005 installment amount.
(From 2005 NC-478E, Part 3, Line 13.)

- Line 4.** Enter the 2004 installment amount.
(From 2004 NC-478E, Part 3, Line 13.)
- Line 5.** Enter the 2003 installment amount.
(From 2003 NC-478E, Part 3, Line 13.)
- Line 6.** Enter the 2002 installment amount.
(From 2002 CD-478E, Part 1, Line 15.)
- Line 7.** Enter the 2001 installment amount.
(From 2001 CD-478E, Part 1, Line 13.)
- Line 8.** Enter the portion of installment amounts not taken for tax years 1997 through 2005.
- Line 9.** Add Lines 1 through 8. **This is the amount of credit to take in 2008 for investing in central office or aircraft facility property.** *(Carry amount to Line 5 of NC-478.)*

Part 4. Central Office or Aircraft Facility Property Credit History Table. *(The information requested for Part 4 is a cumulative total for all establishments and should be entered only once on the last NC-478E filed. The installment portion of Credit History Table can not be completed in its entirety until after completing Part 3 of NC-478.)*

Office Employees in NC at Year-end	In the 2007 column, enter the number of office employees in North Carolina at the end of 2007. In the 2001 through 2006 columns, enter the number of office employees in N.C. for each year as previously reported on NC-478E.
Credit Amount	In the 2007 column, enter the total credit amount for investing in central office or aircraft facility property in tax year 2007. <i>(From Part 3, Line 12.)</i> In the 2001 through 2006 columns, enter the total credit amount as calculated on the prior years' NC-478E.
Installments	In the 2001 through 2006 columns, enter the amount of installment actually taken in each tax year. The amount of installment taken includes the amount of each year's installment utilized during that tax year plus any unused portion of a prior year's installment taken in that tax year. <i>(For more information on the Credit History Table, see the detailed example.)</i>
Carryforwards Taken	If any portion of a prior year's installment is taken in tax year 2008, enter the amount in the applicable column. (Important. <i>Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2008 a portion of a prior year's installment is utilized.</i>)
Carryforwards To Take In Future	If the current year's installment is not fully utilized in tax year 2008, enter the amount not taken as a carryforward to take in the future. (Important. <i>Carryforwards to take in the future do not include eligible installments to be taken in future years. Carryforwards to take in the future should only be entered if in 2008 a portion of a current year's installment can not be utilized due to the 50% of tax limitation.</i>)

Expired Installments If an installment expires, enter the amount of expired credit in the applicable column. Generally, a credit for investing in central office or aircraft facility property expires if a taxpayer fails to meet the general eligibility requirements described previously or if the central office or aircraft facility property is disposed of, taken out of service, or moved out of North Carolina prior to the end of the seven-year period in which the credit is claimed. *(For a detailed example on how to calculate the amount of expired installment, see the "Guidelines for Article 3A Tax Credits" available from the Department's website.)*

Pass-through entities. **S corporations claiming the credit against income tax** complete Parts 3 and 4 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. On Part 3, Line 8, include only the carryforwards for those nonresident shareholders on whose behalf a composite return is filed in both the prior year and the current year. **Partnerships** complete Parts 3 and 4 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. On Part 3 Line 8, include only the carryforwards for those nonresident partners on whose behalf the partnership pays tax in both the prior year and the current year. **Trusts and estates** complete Parts 3 and 4 by including only the amount that is allocated to the fiduciary.

Business and Energy Tax Credits Article 3B Credits

NC-478F - Investing in Business Property

The credit for investing in business property under Article 3B expired for business property placed in service on or after January 1, 2002. If you placed business property in service prior to January 1, 2002, you can continue to take carryforwards of prior years' installments by entering the amount on Line 6a of NC-478.

NC-478G - Investing in Renewable Energy Property

The credit for investing in renewable energy property serving a single-family dwelling is not taken in installments but is taken in the tax year the renewable energy property is placed in service. For all other property, the credit is taken in five equal installments beginning with the tax year the property is placed in service. Any unused portion of either credit may be carried forward for five succeeding years. **Important. You can not claim the credit for investing in renewable energy property if you claimed any other credit allowed in Chapter 105 of the North Carolina revenue laws with respect to the same property.**

The following instructions for completing Part 1 through Part 4 of NC-478G apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 5.

Part 1. Qualifying Information. *(The information requested in Part 1 is for a single establishment at which renewable energy property is constructed, purchased, or leased and placed in service in North Carolina during tax year 2008. If you invested in renewable energy property at more than one establishment in 2008, complete a separate NC-478G for each establishment.)*

Type of Renewable Energy Property. Fill in all applicable circles related to the type of renewable energy property constructed, purchased, or leased and placed in service at this establishment during 2008.

Type of Residence or Purpose Served. Fill in the applicable circle related to the type of residence or purpose served at the property constructed, purchased, or leased and placed in service at this establishment in 2008.

Address and County Where Property is Placed in Service. Enter the address and county in which an investment in renewable energy property was made during tax year 2008.

Part 2. Computation of Credit Amount for Investing in Property Serving Single-Family Dwelling in 2008. *(The information requested in Part 2 is for a single establishment at which renewable energy property is constructed, purchased, or leased and placed in service in North Carolina during 2008. If you invested in renewable energy property at more than one establishment in 2008, complete a separate NC-478G for each establishment.)*

Line 1. Enter the cost of renewable energy property constructed, purchased, or leased and placed in service in North Carolina in 2008 for one single-family dwelling.

Line 2. Multiply Line 1 by 35%.

Line 3. Enter the maximum credit for the applicable type of renewable energy property constructed, purchased, or leased and placed in service in 2008 for one single-family dwelling. For residential property, the maximum credit is:

- \$1,400 for solar energy equipment for domestic water heating
- \$3,500 for solar energy equipment for active or passive heating or combined domestic water heating and space heating
- \$10,500 for any other renewable energy property

Line 4. Enter the lesser of Line 2 or Line 3. **This is the amount of credit for investing in single-family renewable energy property in North Carolina in 2008.**

Part 3. Computation of Credit Amount for Investing in Property Serving a Nonresidential Purpose or a Multi-Family Building in 2008. *(The information requested in Part 3 is for a single establishment at which renewable energy property is constructed, purchased, or leased and placed in service in North Carolina during 2008. If you invested in renewable energy property at more than one establishment in 2008, complete a separate NC-478G for each establishment.)*

Line 5. Enter the cost of renewable energy property constructed, purchased, or leased and placed in service in North Carolina in 2008 for a nonresidential purpose or a multi-family building.

Line 6. Multiply Line 5 by 35%.

Line 7. Enter the maximum credit for the applicable type of renewable energy property constructed, purchased, or leased and placed in service in 2008 for nonresidential purposes or a multi-family building. For nonresidential property, the maximum credit for each type of property is

\$2,500,000. For residential property, the maximum credit per dwelling unit is:

- \$1,400 for solar energy equipment for domestic water heating
- \$3,500 for solar energy equipment for active or passive heating or combined domestic water heating and space heating
- \$10,500 for any other renewable energy property

Line 8. Enter the lesser of Line 6 or Line 7. **This is the amount of credit for investing in nonresidential or multi-family renewable energy property in North Carolina in 2008.** The total credit amount for investing in nonresidential or multi-family renewable energy property in 2008 for **ALL** establishments must also be entered in the Credit History Table. *(See Part 5, 2008 Column, Credit Amount.)*

Line 9. Divide Line 8 by the number 5. This is the eligible installment amount for this establishment to be taken starting in tax year 2008.

Part 4. Computation of Amount To Be Taken in 2008. *(The information requested for Part 4 is a cumulative total for all establishments and should be entered only once on the last NC-478G filed.)*

Line 10. Enter the amount of credit for investing in single-family renewable property for 2008. *(From Part 2, Line 4.)*

Line 11. Enter the 2008 installment amount for investing in nonresidential or multi-family renewable energy property. *(From Part 3, Line 9.)*

Line 12. Enter the 2007 installment amount for investing in nonresidential or multi-family renewable energy property. *(From 2007 NC-478G, Part 3, Line 9.)*

Line 13. Enter the 2006 installment amount for investing in nonresidential or multi-family renewable energy property. *(From 2006 NC-478G, Part 3, Line 9.)*

Line 14. Enter the 2005 installment amount for investing in nonresidential or multi-family renewable energy property. *(From 2005 NC-478G, Part 3, Line 9.)*

Line 15. Enter the 2004 installment amount for investing in nonresidential or multi-family renewable energy property. *(From 2004 NC-478G, Part 3, Line 9.)*

Line 16. Enter the portion of credit not taken for tax years 2003 - 2007 or installments not taken for tax years 2000 - 2007.

Line 17. Add Lines 10 through 16. **This is the amount of credit to take in 2008 for renewable energy property.** *(Carry amount to Line 7 of NC-478.)*

Part 5. Nonresidential or Multi-Family Renewable Energy Property Credit History Table. *(The information requested for Part 5 is a cumulative total for all establishments and should be entered only once on the last NC-478G filed. The installment portion of Credit History Table can not be completed in its entirety until after completing Part 3 of NC-478.)*

Credit Amount In the 2008 column, enter the total credit amount for investing in nonresidential or multi-family renewable energy property in 2008.

(From Part 3, Line 8.) In the 2004 through 2007 columns, enter the total credit amount as calculated on the prior years' NC-478G.

Installments In the 2004 through 2008 columns, enter the amount of installment actually taken in each tax year. The amount of installment taken includes the amount of each year's installment utilized during the tax year plus any unused portion of a prior year's carryforward taken in that tax year. (For more information on the Credit History Table, see the detailed example.)

Carryforwards Taken If any portion of a prior year's installment is taken in tax year 2008, enter the amount in the applicable column. (**Important.** Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2008 a portion of a prior year's installment is utilized.)

Carryforwards To Take In Future If the current year's installment is not fully utilized in tax year 2008, enter the amount not taken as a carryforward to take in the future. (**Important.** Carryforwards to take in the future do not include eligible installments to be taken in future years. Carryforwards to take in the future should only be entered if in 2008 a portion of a current year's installment can not be utilized due to the 50% of tax limitation.)

Expired Installments If an installment expires, enter the amount of expired credit in the applicable column. Generally, a credit for investing in renewable energy property expires if the property is disposed of, taken out of service, or moved out of North Carolina prior to the end of the five-year period in which the credit is claimed. (For a detailed example on how to calculate the amount of expired installment, see the "Guidelines for Article 3A Tax Credits" available from the Department's website.)

Pass-through entities. S corporations claiming the credit against income tax complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 2, Line 4 or Part 3, Line 9 among the shareholders. Complete Parts 4 and 5 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. On Part 4, Line 16, include only the carryforwards for those nonresident shareholders on whose behalf a composite return is filed in both the prior year and the current year. **Partnerships** complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 2, Line 4 or Part 3, Line 9 among the partners. Complete Parts 4 and 5 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. On Part 4, Line 16, include only the carryforwards for those nonresident partners on whose behalf the partnership pays tax in both the prior year and the current year. **Trusts and estates** complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 2, Line 4 or Part 3, Line 9 among the fiduciary and the beneficiaries. Complete Parts 4 and 5 by including only the amount that is allocated to the fiduciary.

Low-Income Housing Tax Credits Article 3E Credits

NC-478H - Low Income Housing

For most taxpayers, the credit for low-income housing awarded a federal credit allocation before January 1, 2003 has expired. Any unused portion of the credit may be carried forward for five succeeding years. **Important.** The credit for low-income housing awarded a federal credit allocation on or after January 1, 2003 is considerably different from the credit for low-income housing awarded a federal credit allocation before January 1, 2003. (For detailed information on the credit effective for allocations awarded after January 1, 2003, see the "2003 - 2004 Technical Bulletins" available from the Department's website.)

The following instructions for completing Part 2 and Part 3 of NC-478H apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 3.

Part 2. Computation of Amount To Be Taken in 2008. (The information requested for Part 2 is a cumulative total for all locations and should be entered only once on the last NC-478H filed.)

Line 11. Enter the 2007 installment amount.
(From 2007 NC-478H, Part 2, Line 8)

Line 12. Enter the 2006 installment amount.
(From 2006 NC-478H, Part 2, Line 8)

Line 13. Enter the 2005 installment amount.
(From 2005 NC-478H, Part 2, Line 8)

Line 14. Enter the 2004 installment amount.
(From 2004 NC-478H, Part 2, Line 8)

Line 15. Enter the 2003 installment amount.
(From 2003 NC-478H, Part 2, Line 8)

Line 16. Enter the portion of installment amounts not taken for tax years 2000 through 2007.

Line 17. Add Lines 11 through 16. **This is the amount of credit to take in 2008 for investing in low-income housing.**
(Carry amount to Line 8 of NC-478.)

Part 3. Housing Credit History Table. (The information requested for Part 3 is a cumulative total for all locations and should be entered only once on the last Form NC-478H filed. The installment portion of Credit History Table can not be completed in its entirety until after completing Part 3 of Form NC-478.)

Credit Amount In the 2007 column, enter the total credit amount for investing in low-income housing in tax year 2007. (Add Part 2, Line 10 from all locations.) In the 2003 through 2006 columns, enter the total credit amount as calculated on the prior year's NC-478H.

Installments In the 2003 through 2007 columns, enter the amount of installment actually taken in each tax year. The amount of installment taken includes the amount of each year's installment utilized during the tax year plus any unused portion of a prior year's carryforward taken in that tax year. (For more information on the Credit History Table, see the detailed example.)

Carryforwards Taken If any portion of a prior year's installment is taken in tax year 2008, enter the amount in the applicable column. (**Important.** *Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2008 a portion of a prior year's installment is utilized.*)

Carryforwards To Take In Future If an installment is not fully utilized in tax year 2008, enter the amount not taken as a carryforward to take in the future. (**Important.** *Carryforwards to take in the future do not include eligible installments to be taken in future years. Carryforwards to take in the future should only be entered if in 2008 a portion of a current year's installment can not be utilized due to the 50% of tax limitation.*)

Expired Installments If an installment expires, enter the amount of expired credit in the applicable column. Generally, a credit for investing in low-income housing expires or is forfeited if the taxpayer becomes ineligible for the federal credit. If the taxpayer is required to recapture all or part of the federal credit claimed, it becomes liable for all past taxes avoided as a result of the credit plus accrued interest.

Pass-through entities. S corporations claiming the credit against income tax complete Parts 2 and 3 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. On Part 2, Line 16, include only the carryforwards for those nonresident shareholders on whose behalf a composite return is filed in both the prior year and the current year. **Partnerships** complete Parts 2 and 3 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. On Part 2, Line 16, include only the carryforwards for those nonresident partners on whose behalf the partnership pays tax in both the prior year and the current year. **Trusts and estates** complete Parts 2 and 3 by including only the amount that is allocated to the fiduciary.

Allocation of credit by a pass-through entity. A pass-through entity may allocate the credit among any of its owners in its discretion as long as the owner's adjusted basis in the pass-through entity at the end of the taxable year in which the federal credit is first claimed is at least forty percent of the amount of credit allocated to that owner. A pass-through entity and its owners must include with their tax returns for every taxable year in which an allocated credit is claimed a statement of the allocation made by the pass-through entity and the allocation that would have been required under the general method of allocating credits based on percentage ownership.

Forfeiture for change in ownership. An owner of a pass-through entity that has qualified for the tax credit for low-income housing forfeits a portion of the credit if the owner disposes of more than one-third of its interest in the pass-through entity within five years from the date the federal credit is first claimed. Forfeiture is not required if the change in ownership results from either the death of the owner or a merger, consolidation, or similar transaction requiring approval of the pass-through entity's owners and the pass-through entity does not receive cash or tangible property in the merger, consolidation, or other similar transaction.

Research and Development Article 3F Credits

NC-478I - Research and Development

The credit for research and development under Article 3F provides a credit for qualified North Carolina research and development expenses and is available to all taxpayers regardless of business type. Taxpayers claiming the research and development credit in Article 3F must meet the following general eligibility requirements found in Article 3A:

- Meet the wage standard
- Provide health insurance for employees
- Have a good environmental record
- Have a good Occupational Safety and Health Act (OSHA) record

The credit for research and development in Article 3F consist of two parts: (1) a credit for North Carolina university research expenses and (2) a credit for qualified North Carolina research expenses other than university research expenses. The credit for qualified North Carolina research expenses is further divided into three categories: (1) small business, (2) low-tier research, and (3) other research expenses.

The following instructions for completing Part 1 through Part 5 of NC-478I apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 5. The R & D credit is not taken in installments; however, any unused portion of the credit may be carried forward for fifteen succeeding years.

Part 1. Qualifying Information. (*The information requested in Part 1 is for a single establishment at which qualified research and development expenses occurred in North Carolina during tax year 2008. If you had qualified research expenses at more than one establishment in 2008, complete a separate NC-478I for each establishment.*)

Type of Research Expenses. Fill in all applicable circles related to the type of R & D expenses incurred in North Carolina.

Tier Information. Fill in all applicable circles related to the tiers of all locations where R & D expenses were incurred in North Carolina. (*The Department of Commerce publishes a list of the counties and their respective tier designations. For more information about enterprise tiers, go to the Department of Commerce's website, www.nccommerce.com, and click on "financial incentives/North Carolina County Tier Designations."*)

Name, Address and County at which Credit is Generated. Enter the name, address, and county of each location where R & D expenses were incurred in North Carolina.

Other Business Information. Taxpayers must provide health insurance for all full-time positions at each location where R & D expenses were incurred in North Carolina. The insurance must be provided to the employees at the time the research and development expenses were incurred and must be maintained every year the credit or a carryforward of the credit is claimed. Taxpayers must provide with the tax return certification that health insurance is provided to all full-time positions at the location where the research and development occurred.

Part 2. Computation of Credit for North Carolina University R & D Expenses. (*The information requested on Part 2, Lines 1 and 2, is the*

*cumulative total of all qualified research and development expenses during tax year 2008 and will be the same on all NC-478ls filed. **Note.** If you complete Part 2, do not complete Parts 3 or 4 of NC-478l for the same qualified expenses.)*

Line 1. Enter the total amount of North Carolina university R & D expenses.

Line 2. Multiply Line 1 by 20.0%. **This is the amount of credit for North Carolina university R & D expenses.**

Part 3. Computation of Credit for Qualified North Carolina Small Business R & D Expenses Incurred. *(The information requested on Part 3, Lines 3 and 4, is the cumulative total of all qualified research and development expenses during tax year 2008 and will be the same on all NC-478ls filed. **Note.** If you complete Part 3, do not complete Parts 2 or 4 of NC-478l for the same qualified expenses.)*

Line 3. Enter the total amount of North Carolina small business R & D expenses.

Line 4. Multiply Line 3 by 3.25%. **This is the amount of credit for North Carolina small business R & D expenses.**

Part 4. Computation of Credit for Qualified North Carolina Low-Tier and Other R & D Expenses. *(The information requested on Part 4, Lines 5 through 9, is the cumulative total of all qualified research and development expenses during tax year 2008 and will be the same on all NC-478ls filed. **Note.** If you complete Part 4, do not complete Parts 2 or 3 of NC-478l for the same qualified expenses.)*

Line 5. Enter the total amount of North Carolina R & D expenses that are not university or small business research expenses.

Line 6. Enter the portion of Line 5 incurred in Tier 1.

Line 7. Multiply Line 6 by 3.25%. **This is the amount of credit for qualified North Carolina low-tier R & D expenses.**

Line 8. Subtract Line 6 from Line 5. This is the total amount of qualified North Carolina other R & D expenses.

Line 9. Multiply Line 8 by the following percentages and add the amounts:

- Multiply the first \$50 million by 1.25%
- Multiply the amount over \$50 million but no more than \$200 million by 2.25%
- Multiply the amount over \$200 million by 3.25%

This is the amount of credit for qualified North Carolina other R & D expenses in 2008.

Part 5. Computation of Credit To Be Taken in 2008. *(The information requested on Part 5, Lines 10 through 13, is the cumulative total of all qualified research and development expenses during tax year 2008 and will be the same on all NC-478ls filed.)*

Line 10. Enter the credit for North Carolina university R & D expenses. *(From Part 2, Line 2)*

Line 11. Enter the credit for qualified North Carolina R & D expenses. *(Enter the amount from Part 3, Line 4 **OR** the sum of Part 4, Lines 7 and 9.)*

Line 12. Enter the amount of carryforward for portion of credit not taken for tax years 2005 through 2007.

Line 13. Add Lines 10 through 12. **This is the amount of credit to take in 2008 for Research & Development.** *(Carry amount to Line 3b of NC-478.)*

Pass-through Entities. S corporations claiming the credit against income tax complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 2, Line 2, Part 3, Line 4, and the sum of Part 4, Lines 7 and 9 among the shareholders. Complete Part 5 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. **Partnerships** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 2, Line 2, Part 3, Line 4, and the sum of Part 4, Lines 7 and 9 among the partners. Complete Part 5 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. **Trusts and estates** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 2, Line 2, Part 3, Line 4, and the sum of Part 4, Lines 7 and 9 among the fiduciary and the beneficiaries. Complete Part 5 by including only the amount allocated to the fiduciary.

Tax Credit for Growing Businesses Article 3J Credits

Eligibility Requirements

In general, a taxpayer must satisfy all of the following general eligibility requirements to qualify for any of the Article 3J credits:

- Be an eligible business type as described below
- Meet the wage standard specified for each credit
- Provide health insurance for employees as specified for the credit
- Have a good environmental record
- Have a good Occupational Safety and Health Act (OSHA) record
- Have no overdue tax debts with the State

Eligible Business Types. Article 3J allows tax credits only to certain types of businesses. A taxpayer is eligible for a credit only with respect to activities occurring at an establishment whose primary activity is listed below. The primary activity of an establishment is determined based on the establishment's principle product or group of products produced or distributed, or services rendered. A taxpayer must meet one of the following descriptions in order to be eligible for an Article 3J credit:

Aircraft Maintenance and Repair. The provision of specialized maintenance or repair services for commercial aircraft or the rebuilding of commercial aircraft.

Air Courier Services Hub. The furnishing of air delivery of individually addressed letters and packages for compensation, in interstate commerce, except by the United States Postal Service.

Company Headquarters. A corporate, subsidiary, or regional managing office, as defined by NAICS, that is responsible for strategic or organizational planning and decision making for the business on an international, national, or multistate regional basis.

A taxpayer is eligible for a credit with respect to a company headquarters only if the taxpayer creates at least 75 new jobs at

the company headquarters within a 24-month period. A company headquarters job is primarily responsible for administering, overseeing, and managing other establishments of the company. A taxpayer that meets this job creation requirement is eligible for credits with respect to the company headquarters for three taxable years beginning with the year in which the job creation requirement is satisfied. A taxpayer that creates an additional 75 new jobs at the company headquarters in a 24-month period after the completion of a three-year eligibility period is eligible for credits with respect to the company headquarters for an additional three taxable years beginning in the year in which the additional job creation requirement is satisfied. A taxpayer that engages in an activity that is not eligible for tax credits cannot become eligible for credits with respect to the ineligible activity by performing it at the same site as where the company headquarters is.

Customer Service Call Center. The provision of support service by a business to its customers by telephone or electronic means to support products or services of the business. For the purposes of this definition, an establishment is primarily engaged in providing support services by telephone or other electronic means only if at least sixty percent (60%) of its calls are incoming or at least sixty percent (60%) of its other electronic communications are initiated by its customers.

Electronic Shopping and Mail Order House. An industry in electronic shopping and mail order houses as defined by NAICS.

Information Technology and Services. An industry in one of the following:

1. Internet service providers, Web search portals, and data processing as defined by NAICS.
2. Software publishers industry as defined by NAICS.
3. Computer systems design and related service industry as defined by NAICS.

Manufacturing. An industry in manufacturing sectors 31 - 33 as defined by NAICS, but not including quick printing or retail bakeries.

Motorsports Facility. A motorsports racetrack classified in the United States racetrack national industry, as defined by NAICS.

Motorsports Racing Team. A professional racing team primarily engaged in the research and development, design, manufacture, repair, maintenance, and operation of motor vehicles used in live motorsports racing events before a paying audience.

Research and Development. An industry in scientific research and development services as defined by NAICS.

Warehousing. An industry in warehousing and storage as defined by NAICS.

Wholesale Trade. An industry in wholesale trade as defined by NAICS.

Article 3J Supplement - Qualifying Information

In order to claim an Article 3J credit, you must provide all information considered necessary by the Secretary of Revenue to determine and verify the amount of credit claimed. To substantiate your eligibility for Article 3J credits, you must submit an Article 3J Supplement with Form NC-478J, NC-478K, and/or NC-478L. You are required

to provide eligibility information for each establishment for which a credit is claimed. In addition, you must maintain any additional documentation needed to substantiate the Article 3J credit and make it available for inspection if requested by the Secretary of Revenue.

Name and Identification Number. Enter the individual's name and social security number or entity's name and federal employer ID number of the taxpayer claiming an Article 3J credit.

Qualifying Information for Establishment at which Credit is Generated. Enter the address and county for each establishment for which a credit is claimed. A taxpayer is not subject to a wage standard test to qualify for a credit with respect to an establishment located in a tier one area. Jobs that are located within an urban progress zone or an agrarian growth zone, but not in a development tier one area, satisfy the wage standard if they pay an average weekly wage that is at least equal to 90% of the lesser of the average wage for all insured private employers in the county. All other jobs satisfy the wage standard if they pay an average weekly wage that is at least equal to the lesser of 110% of the average wage for all insured private employers in the State and 90% of the average wage for all insured private employers in the county. The Department of Commerce annually publishes the wage standard for each county. For more information about the wage standard test, see the "**Guidelines for Article 3J Tax Credits**" available from the Department's website.

Tier and Zone Information. The amount of credit allowed for creating new jobs and for investing in business property is based upon the enterprise tier of the area in which new positions are located. The Department of Commerce publishes a list of the counties and their respective tier designations. For more information about enterprise tiers, go to the Department of Commerce's website, www.nccommerce.com, and click on "financial incentives/North Carolina County Tier Designations."

Within each tier, there may be designated "urban progress zones" or "agrarian growth zones." Urban progress zones and agrarian growth zones recognize defined areas of economic need within a tier. The Department of Commerce determines whether an area is an urban progress zone or an agrarian growth zone. Projects within these zones receive enhanced credits and are subject to the lower wage standard. The Department of Commerce publishes annually a list of urban progress zones and agrarian growth zones with a description of their boundaries.

Forms filed for this establishment. Fill in applicable circles for the forms filed for each establishment.

NC-478J - Creating New Jobs

The credit for creating new jobs is based upon the development tier of the area in which new jobs are located and is taken in four equal installments beginning in the tax year following the year in which the jobs are created. Any unused portion of the credit may be carried forward for five succeeding years. In addition, to claim the credit for creating new jobs you must provide all the eligibility information requested on the Article 3J Supplement.

The following instructions for completing Part 1 through Part 3 of NC-478J apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 3.

Part 1. Computation of Credit for Jobs Created in 2008. (The information requested in Part 1 is for a single county at which jobs were created during tax year 2008. If jobs were created at more than one county in 2008, complete a separate NC-478J for each county.)

Line 1. Enter the county at which new jobs were created.

Line 2. Enter the average number of full-time employees in North Carolina during 2008. The average number of full-time employees is determined by dividing the number of full-time employees on the last day of each month by 12. A taxpayer creates a new full-time job if the taxpayer has an additional full-time employee in North Carolina at the end of the current tax year compared to the end of the previous tax year. A full-time job is a position that requires at least 1,600 hours of work per year and is intended to be held by one employee during the entire year. (Note. The information requested on Part 1, Line 2 is the average number of additional full-time employees in North Carolina during the tax year and will be the same number on all NC-478Js filed for tax year 2008.)

Line 3. Enter the average number of full-time employees in North Carolina during 2007. The average number of full-time employees is determined by dividing the number of full-time employees on the last day of each month by 12. (Note. The information requested on Part 1, Line 3 is the average number of full-time employees in North Carolina during 2007 and will be the same number on all NC-478Js filed for tax year 2008.)

Line 4. Subtract Line 3 from Line 2. This is the maximum number of new jobs in North Carolina eligible for credit in 2008.

Line 5. Enter the number of new jobs included in Line 4 located in this county but **NOT** in an urban progress zone or agrarian growth zone.

Line 6. Enter the threshold amount for the applicable tier:

Tier 1	Tier 2	Tier 3
5	10	15

Line 7. Compare the number of new jobs from Line 5 with the tier threshold in Line 6. If the number of jobs on Line 5 is less than the tier threshold on Line 6 go to Line 9. If the number of jobs from Line 5 is greater than the threshold on Line 6 enter the number of jobs from Line 5.

Line 8. Multiply Line 7 by the credit amount for the applicable tier. This is the amount of credit for each new job created in this county not located in an urban progress zone or agrarian growth zone.

Tier 1	Tier 2	Tier 3
\$12,500	\$5,000	\$750

Line 9. Enter the number of new jobs included in Line 4 located in this county **AND** in an urban progress zone or agrarian growth zone.

Line 10. The tier threshold for an urban progress zone or agrarian growth zone is 5.

Line 11. Compare the number of new jobs from Line 9 with the tier threshold in Line 10. If the number of jobs on Line 9 is less than the tier threshold on Line 10, go to Line 16. If the number of jobs from Line 9 is greater than the threshold on Line 10, enter the number of jobs from Line 9.

Line 12. Multiply Line 11 by the credit amount for the applicable tier. This is the amount of credit for each new job created in this county

AND located in an urban progress zone or agrarian growth zone.

Tier 1	Tier 2	Tier 3
\$13,500	\$6,000	\$1,750

Line 13. Enter the total number of new jobs included in Line 9 that are filled by residents of an urban progress zone or an agrarian growth zone or by individuals who were unemployed for at least 26 consecutive weeks prior to being hired.

Line 14. Multiply Line 13 by \$2,000.

Line 15. Add Line 12 and Line 14. This is the amount of credit for creating jobs located in an urban progress zone or agrarian growth zone in 2008.

Line 16. Add Line 8 and Line 15. **This is the total credit for new jobs created in this county in 2008.** The total credit amount for creating jobs in 2008 for **ALL** counties must also be entered in the Credit History Table. (See Part 3, 2008 Column, Credit Amount.)

Line 17. Divide Line 16 by the number 4. This is the amount of each installment for this county to be taken starting in tax year 2009.

Part 2. Computation of Amount To Be Taken in 2008. Enter the 2007 installment amount for creating new jobs. (From 2007 NC-478J, Part 1, Line 17.)

Part 3. Jobs Credit History Table. In the 2008 column, enter the total credit amount for creating jobs in tax year 2008. (Add Part 1, Line 16 for all counties.)

Pass-through Entities. S corporations claiming the credit against income tax complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 1, Line 17 among the shareholders. Complete Parts 2 and 3 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. **Partnerships** complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 1, Line 17 among the partners. Complete Parts 2 and 3 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. **Trusts and estates** complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 1, Line 17 among the fiduciary and the beneficiaries. Complete Parts 2 and 3 by including only the amount allocated to the fiduciary.

NC-478K - Investing in Business Property

The credit for investing in business property is based upon the enterprise tier of the area in which business property is placed in service and is taken in four equal installments beginning in the tax year following the year in which the business property was placed in service. Any unused portion of the credit may be carried forward for five succeeding years. In addition, in order to claim the credit for investing in business property, you must provide all the eligibility information requested on the Article 3J Supplement.

The following instructions for completing Part 1 through Part 4 of NC-478K apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 4.

Part 1. Computation of Credit Amount for Investing in Business Property in 2008. *(The information requested in Part 1 is for a single county at which business property was placed in service during tax year 2008. If business property was placed in service in more than one county in 2008, complete a separate NC-478K for each county.)*

Line 1. Enter the county where the business property was placed in service.

Line 2. Enter the cost of business property placed in service in North Carolina during 2008. **(Note.** *The information requested on Part 1, Line 2 is the total cost of business property placed in service in North Carolina during the tax year and will be the same on all NC-478Ks filed for tax year 2008.*)

Line 3. Enter the cost of business property in service in North Carolina on the last day of 2008. **(Note.** *The information requested on Part 1, Line 3 is the total cost of business property in service in North Carolina during the tax year and will be the same on all NC-478Ks filed for tax year 2008.*)

Line 4. Enter the cost of business property in service in North Carolina on the last day of the base year. **(Note.** *The information requested on Part 1, Line 4 is the total cost of business property in service in North Carolina on the last day of the base year and will be the same number on all NC-478Ks filed for tax year 2008.*)

Line 5. Subtract Line 4 from Line 3. This is the excess of the cost of all eligible business property on the last day of 2008 over the cost of all eligible business property on the last day of the base year. **(Note.** *The information requested on Part 1, Line 5 is the total excess of cost of all eligible business property on the last day of 2008 over the cost of all eligible business property on the last day of the base year and will be the same number on all NC-478Ks filed for tax year 2008.*)

Line 6. Enter the lesser of Line 2 or Line 5. This is the eligible investment amount for investing in business property statewide.

Line 7. Enter the amount of Line 6 located in this county but **NOT** in an urban progress zone or agrarian growth zone.

Line 8. Enter the threshold amount for the applicable tier:

Tier 1	Tier 2	Tier 3
\$ -0-	\$1,000,000	\$2,000,000

Line 9. Subtract Line 8 from Line 7. This is the excess of eligible investment amount for investing in business property over the applicable threshold.

Line 10. Multiply Line 9 by the percentage for the applicable tier. This is the credit amount for investing in business property in this county in 2008 **NOT** located in an urban progress zone or agrarian growth zone.

Tier 1	Tier 2	Tier 3
7%	5%	3.5%

Line 11. Enter the amount of Line 6 located in this county **AND** in an agrarian growth zone or urban progress zone.

Line 12. Multiply Line 11 by 7%.

Line 13. Add Line 10 and Line 12. **This is the total credit for investing in business property in this county in 2008.** The total

credit amount for investing in business property in 2008 for **ALL** counties must also be entered in the Credit History Table. *(See Part 4, 2008 Column, Credit Amount.)*

Line 14. Divide Line 13 by the number 4. This is the amount of each installment for this county to be taken starting in tax year 2009.

Part 2. Business Property in Service in North Carolina on the Last Day of the Tax Year. *(The information requested for Part 2 is a cumulative total for all counties and is entered only once on the last NC-478K filed.)* Enter the total cost of all eligible business property in service in North Carolina on the last day of the tax year for each year requested. This information is used to determine the base year on Part 1, Line 4.

Part 3. Computation of Amount To Be Taken in 2008. Enter the 2007 installment amount for investing in business property. *(From 2007 NC-478K, Part 1, Line 14.)*

Part 4. Business Property Credit History Table. In the 2008 column, enter the total credit amount for investing in business property in tax year 2008. *(Add Part 1, Line 13 for all counties.)*

Pass-through Entities. S corporations claiming the credit against income tax complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 14 among the shareholders. Complete Parts 3 and 4 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. **Partnerships** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 14 among the partners. Complete Parts 3 and 4 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. **Trusts and estates** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 14 among the fiduciary and the beneficiaries. Complete Parts 3 and 4 by including only the amount allocated to the fiduciary.

NC-478L - Investing in Real Property

The credit for investing in real property is applicable only to real property placed in service in a development tier one area. Property placed in service in an urban progress zone or an agrarian growth zone is not considered to be placed in service in a tier one area for purposes of this credit. The credit for investing in real property is taken in seven equal installments beginning in the tax year following the year in which the real property was placed in service. Any unused portion of the credit may be carried forward for five succeeding years. In addition, in order to claim the credit for investing in real property, you must provide all the eligibility information requested on the Article 3J Supplement.

The following instructions for completing Part 1 through Part 4 of NC-478L apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 4.

Part 1. Computation of Credit for Investing in Real Property in 2008. *(The information requested in Part 1 is for a single county at which real property was placed in service during tax year 2008. If real property was placed in service in more than one county in 2008, complete a separate NC-478L for each county.)*

Line 1. Enter the Tier 1 county where the real property was placed in service.

Line 2. Enter the cost of real property placed in service in North Carolina during 2008. *(Note. The information requested on Part 1, Line 2 is the total cost of real property placed in service in North Carolina during the tax year and will be the same on all NC-478Ls filed for tax year 2008.)*

Line 3. Enter the cost of real property in service in North Carolina on the last day of 2008. *(Note. The information requested on Part 1, Line 3 is the total cost of real property in service in North Carolina during the tax year and will be the same on all NC-478Ls filed for tax year 2008.)*

Line 4. Enter the cost of real property in service in North Carolina on the last day of the base year. *(Note. The information requested on Part 1, Line 4 is the total cost of real property in service in North Carolina on the last day of the base year and will be the same number on all NC-478Ls filed for tax year 2008.)*

Line 5. Subtract Line 4 from Line 3. This is the excess of the cost of all eligible real property on the last day of 2008 over the cost of all eligible real property in North Carolina on the last day of the base year.

Line 6. Enter the lesser of Line 2 or Line 5. This is the eligible investment amount for investing in real property statewide.

Line 7. Enter the amount of Line 6 located in this county.

Line 8. Enter the percentage of real property used in an eligible business in 2008.

Line 9. Multiply Line 7 by Line 8. This is the eligible investment amount for investing in real property in this county in 2008.

Line 10. Multiply Line 9 by 30%. **This is the amount of credit for investing in real property in this county in 2008.**

Line 11. Divide Line 10 by 7. This is the amount of each installment for this county to be taken starting in tax year 2009.

Part 2. Real Property in Service in North Carolina on the Last Day of the Tax Year. *(The information requested for Part 2 is a cumulative total for all counties and is entered only once on the last NC-478L filed.)* Enter the total cost of all eligible real property in service in North Carolina on the last day of the tax year for each year requested. This information is used to determine the base year on Part 1, Line 4.

Part 3. Computation of Amount To Be Taken in 2008. Enter the 2007 installment amount for investing in real property. *(From 2007 NC-478L, Part 1, Line 11.)*

Part 4. Real Property Credit History Table. In the 2008 column, enter the total credit amount for investing in real property in tax year 2008. *(Add Part 1, Line 10 for all counties.)*

Pass-through Entities. S corporations claiming the credit against income tax complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 11 among the shareholders. Complete Parts 3 and 4 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. **Partnerships** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 11 among the partners. Complete Parts 3 and 4 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. **Trusts and estates** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1,

Line 11 among the fiduciary and the beneficiaries. Complete Parts 3 and 4 by including only the amount allocated to the fiduciary.

Allocation of Credits by Pass-through Entities

A pass-through entity must take extra steps in calculating and allocating the tax credits among its shareholders, partners, or beneficiaries.

S Corporations. If the credit is being claimed against franchise tax, no allocation is required. Complete the applicable tax credit form and enter the amount eligible to be taken in the current year on the NC-478 form. If the credit is being taken against income tax, complete the applicable tax credit form to determine the eligible credit to be allocated among the shareholders. The portion of the eligible credit allocated to nonresident shareholders on whose behalf a composite return is being filed is calculated and carried to the NC-478 form. The portion of the eligible credit allocated to resident shareholders or nonresident shareholders who are not part of a composite return will not be reflected on the S-corporation's NC-478 form.

Partnerships. Complete the applicable tax credit form to determine the eligible credit to be allocated among the partners. The portion of the eligible credit allocated to nonresident partners on whose behalf the partnership pays tax is calculated and carried to the NC-478 form. The portion of the eligible credit allocated to resident partners or nonresident partners on whose behalf the partnership does not pay tax will not be reflected on the NC-478 form.

Trusts and estates. Complete the applicable tax credit form to determine the eligible credit to be allocated among the trust or estate and its beneficiaries. The portion of the eligible credit allocated to the trust or estate is calculated and carried to the NC-478 form. The portion of the eligible credit allocated to the trust's or estate's beneficiaries will not be reflected on the NC-478 form.

The example below shows how the tax credit for creating new jobs under Article 3J is calculated and reported on the NC-478 form and the NC-478J form by an S corporation. The example also applies to partnerships, trusts, and estates.

Example. An S corporation creates new jobs in a Tier 1 county in North Carolina during tax year 2008. The S corporation meets all of the eligibility requirements for the tax credit for creating new jobs. The S corporation has three shareholders. Shareholder 1 is a North Carolina resident and owns 50% of the corporation. Shareholder 2 is a nonresident who owns 20% of the corporation. This shareholder is not part of the composite return that is filed by the S corporation. Shareholder 3 is also a nonresident, owns 30% of the corporation, and is part of the composite return. The S corporation elects to apply the tax credit against income tax. *(For further details see form NC-478J.)*

Step 1. Calculating the Credit Amount for Creating New Jobs for the Entity *(From NC-478J, Part 1)*

Line 1.	County where new jobs were created	COUNTY
Line 2.	Average number of full-time employees in NC during 2008	30
Line 3.	Average number of full-time employees in NC during 2007	10
Line 4.	Maximum number of new jobs in NC eligible for credit in 2008	20
Line 5.	Number of new jobs included in Line 4 located in this county but NOT in urban progress or agrarian growth zone	10
Line 6.	Tier threshold for county	5
Line 7.	Compare the number of jobs on Line 5 with the amount on Line 6. If the number of jobs on Line 5 is less than the amount on Line 6, skip Lines 7 and 8 and go to Line 9. If the number of jobs on Line 5 is greater than or equal to	

	Line 6, enter the number of jobs from Line 5.	10
Line 8.	Credit amount for each new job created in this county NOT located in urban progress or agrarian growth zone	\$125,000
Line 9.	Number of new jobs included in Line 4 located in this county AND in urban progress or agrarian growth zone	6
Line 10.	Tier threshold for urban progress or agrarian growth zone	5
Line 11.	Compare the number of jobs on Line 9 with the amount on Line 10. If the number of jobs on Line 9 is less than the amount on Line 10, skip Lines 11 through 15 and go to Line 16. If the number of jobs on Line 9 is greater than or equal to Line 10, enter the number of jobs from Line 9.	6
Line 12.	Credit for new jobs located in urban progress or agrarian growth zone	\$ 81,000
Line 13.	Number of new jobs included in Line 9 that are filled by residents of that zone or by individuals	1
Line 14.	Multiply Line 13 by \$2,000	\$ 2,000
Line 15.	Total credit amount for new jobs located in an urban progress or agrarian growth zone in 2008	\$ 83,000
Line 16.	Total Credit for New Jobs Created in this County in 2008	\$208,000
Line 17.	Amount of each future installment	\$ 52,000

Step 2. Allocating the Credit Amount to the Shareholders

Shareholder	1	2	3
Credit Amount of S Corporation	\$ 52,000	\$ 52,000	\$ 52,000
Percentage Ownership	50%	20%	30%
Credit Amount Allocated	\$ 26,000	\$ 10,400	\$ 15,600
Non-composite Credit Amount	\$ 26,000	\$ 10,400	\$ 0
Composite Credit Amount	\$ 0	\$ 0	\$ 15,600

Step 3. Completing Part 2 of NC-478J and Line 1b of NC-478 for the Entity. (Note. For example purposes only. The first installment of the Article 3J credit for creating jobs can not be taken until the year after the taxpayer qualifies for the credit.)

NC-478J, Part 2, Line 18 - First Installment	\$ 15,600
NC-478, Part 1, Line 1b - Creating Jobs Article 3J	\$ 15,600

Note. Shareholders 1 and 2 must complete NC-478J, Part 2, and NC-478 separately to claim the credit that is passed through to the individual shareholders.

Credit History Table Example

The purpose of the Credit History Table is to provide a means for taxpayers to track both the credit amount available for each tax year and the actual credit taken as an installment. By using the Credit History Table, taxpayers can verify that the amount of credit taken for each installment does not exceed the amount of credit actually available to the taxpayer. The table also provides a means for tracking any unused portion of an installment that can be carried to future years or has expired.

The example below shows how the M & E Credit History Table for 2008 is completed.

2001 Column. In 2001, ABC Corporation was eligible to claim \$7000 of M & E credit. Taxpayer entered \$7000 in the "Credit Amount" box. Based upon the credit amount, each installment available to ABC Corporation for tax years 2002 through 2008 is \$1000 (\$7000 ÷ 7 years). For tax years 2002 through 2005, ABC Corporation's income tax liability was sufficient to claim 100% of the available installment amount. Taxpayer entered \$1000 in the 2001 column for installments 1, 2, 3, and 4.

In 2006, ABC Corporation was limited to \$980 of its available M & E installment and had \$20 of installment to carry forward to 2007. Taxpayer entered in the 2001 column \$980 for the 5th installment and \$20 in the "Carryforwards to Take in Future" box.

In 2007, ABC Corporation was limited to \$52 of its available M & E installments and carryforwards. Taxpayer used the \$20 carryforward from the 2001 5th installment and \$32 of the 6th installment. Taxpayer entered in the 2001 column \$52 for the 6th installment, \$20 in the "Carryforwards Taken" box, and \$968 in the "Carryforwards to Take in Future" box. The carryforward is calculated as follows:

$$\$1000 \text{ (2001 6th installment available)} + \$20 \text{ (2001 5th installment carryforward available)} - \$52 \text{ (amount of credit actually taken in 2007)} = \$968.$$

In 2008, ABC Corporation's income liability was sufficient to claim \$1,700 of available M & E installments plus carryforwards. Taxpayer used the \$968 carryforward from the 2001 6th installment, \$250 from the 2006 1st installment (see the 2006 column below), and \$482 from the 2001 7th installment. Taxpayer entered in the 2001 column \$1450 for the 7th installment, \$968 in the "Carryforwards Taken" box, and \$518 in the "Carryforwards to Take in Future" box.

2006 Column. In 2006, ABC Corporation was eligible to claim \$8750 of M & E credit. Taxpayer entered \$8750 in the "Credit Amount" box. Based upon the credit amount, each installment available to ABC Corporation for tax years 2007 through 2013 is \$1250 (\$8750 ÷ 7). However, in 2007 ABC Corporation partially disposed of machinery and equipment used to qualify for the M & E credit in 2006, thereby reducing the amount of each future installment available to \$250.

In 2007, ABC Corporation did not have sufficient income tax to take the 1st installment of the 2006 M & E Credit. Taxpayer entered in the 2006 column, \$0 for the 1st installment, \$250 in the "Carryforwards to Take in the Future" box, and \$1000 in the "Expired Installments" box. If the taxpayer does not dispose of additional machinery and equipment used to qualify for the 2006 M & E credit, the "Expired Installments" box will increase by \$1000 each year.

In 2008, ABC Corporation was limited to \$250 of its available M & E installment and carryforwards (see the 2001 column). Taxpayer used \$250 of the carryforward from the 2006 1st installment. Taxpayer entered in the 2006 column \$250 for the 2nd installment, \$250 in the "Carryforwards Taken" box, \$250 in the "Carryforwards to Take in Future" box, and \$2000 in the "Expired Installments" box.

2007 Column. In 2007, ABC Corporation was eligible to claim \$35,000 of M & E credit by submitting a signed letter of commitment with the Department of Commerce on December 31, 2006. Taxpayer entered \$35,000 in the 2007 "Credit Amount" box. No installments of this credit are available to ABC corporation until tax year 2008.

Credit History Table Example

Part 5. M & E Credit History Table									
Tax Year		2001	2002	2003	2004	2005	2006	2007	
Credit Amount		7000					8750	35000	
Installments	1st	Franchise Income	Taken in 2002	Taken in 2003	Taken in 2004	Taken in 2005	Taken in 2006	Taken in 2007	Taken in 2008
			1000					0	
			Taken in 2003	Taken in 2004	Taken in 2005	Taken in 2006	Taken in 2007	Taken in 2008	Taken in 2009
	2nd	Franchise Income							
			1000					250	
			Taken in 2004	Taken in 2005	Taken in 2006	Taken in 2007	Taken in 2008	Taken in 2009	Taken in 2010
	3rd	Franchise Income							
			1000						
			Taken in 2005	Taken in 2006	Taken in 2007	Taken in 2008	Taken in 2009	Taken in 2010	Taken in 2011
	4th	Franchise Income							
			1000						
			Taken in 2006	Taken in 2007	Taken in 2008	Taken in 2009	Taken in 2010	Taken in 2011	Taken in 2012
	5th	Franchise Income							
		980							
		Taken in 2007	Taken in 2008	Taken in 2009	Taken in 2010	Taken in 2011	Taken in 2012	Taken in 2013	
6th	Franchise Income								
		52							
		Taken in 2008	Taken in 2009	Taken in 2010	Taken in 2011	Taken in 2012	Taken in 2013	Taken in 2014	
7th	Franchise Income								
		1450							
Carryforwards Taken		968					250		
Carryforwards to Take in Future		518					250		
Expired Installments							2000		

