

1998 NORTH CAROLINA

FRANCHISE AND INCOME TAX RETURN
S CORPORATION

Form CD-401S

For the year January 1 - December 31, 1998, or other tax year beginning / / 98, ending / / 99

<input type="checkbox"/> Check if a final return	Name		Federal ID Number
	Address		Sec of State ID Number
Date Incorporated	City, State, and Zip Code		Returns are due on the 15th day of the 3rd month after the end of income year. Mail to: N. C. Dept. of Revenue P.O. Box 25000 Raleigh, N. C. 27640-0500
State of Incorporation	Is this the first time you have filed a North Carolina tax return? Yes <input type="checkbox"/> No <input type="checkbox"/> Is the name and/or address on this return different from last year's return? Yes <input type="checkbox"/> No <input type="checkbox"/>		
Total assets per Bal. Sheet	Regular or principal trade or business everywhere	Regular or principal trade or business in N.C.	
\$ 00	NAICS Code	Indicate If: QSSS <input type="checkbox"/> Parent of QSSS <input type="checkbox"/>	Enter the cost of business property placed in service in the current tax year
<input type="checkbox"/> Have federal tax returns for any prior year been examined by the IRS? Yes <input type="checkbox"/> No <input type="checkbox"/> (latest year(s) adjusted _____)			
<input type="checkbox"/> If yes, have all State returns been adjusted accordingly? Yes <input type="checkbox"/> No <input type="checkbox"/> (If yes, enter date of N. C. Amendments) _____			

Schedule A - COMPUTATION OF FRANCHISE TAX

1. Capital Stock, Surplus, and Undivided Profits (page 2, schedule C, line 13)	1	00
2. Investment in Tangible Property in N.C. (page 2, schedule D, line 2)	2	00
3. Appraised Valuation of Property in N.C. (page 2, schedule E)	3	00
4. Taxable Amount (Line 1, 2, or 3 whichever is greatest)	4	00
5. Total Tax (\$1.50 per \$1,000 of item 4)--(minimum \$35)	5	00
6. Less: a. New and Expanding Tax Credits (attach schedule)	6a	00
b. Business Property Tax Credit (attach schedule)	6b	00
c. Other tax credits (attach schedule)	6c	00
d. Tax paid with application for extension	6d	00
7. Balance of tax due (if overpayment, enter in brackets)	7	00
8. Interest (due on all extended payments)	8	00
9. Penalty	9	00
10. TOTAL FRANCHISE TAX DUE (overpayment) (add lines 7, 8, and 9)	FRANCHISE 10	00

Schedule B - COMPUTATION OF INCOME TAX FOR COMPOSITE FILERS AND ANNUAL REPORT FEE

11. Total State net income (page 3, schedule G, line 7)	11	00
12. Less: Nonbusiness income (page 4, schedule J, line 7)	12	00
13. Total business income subject to apportionment	13	00
14. Apportionment factor (page 4, schedule I)	14	%
15. Business income apportioned to N.C. (multiply amount on line 13 by above factor)	15	00
16. Add: a. Nonbusiness income-N.C. (page 4, schedule J, line 8)	16a	00
b. Other	16b	00
17. Total income to N.C.	17	00
18. Less: Percentage depletion over cost depletion on N.C. property	18	00
19. Total income to N.C. before contributions	19	00
20. Less: Contributions to N.C. donees	20	00
21. Total Net Taxable Income	21	00
22. Net taxable income of nonresidents filing composite return	22	00
23. Total Tax (see tax rate schedule, page 3, schedule H)	23	00
24. Less: a. New and Expanding Tax Credits (attach schedule)	24a	00
b. Business Property Tax Credit (attach schedule)	24b	00
c. Other tax credits (attach schedule)	24c	00
25. Net Tax Due	25	00
26. Add: Annual Report Fee (\$20.00)	26	00
27. Less: a. Tax paid with application for extension	27a	00
b. Tax paid with declaration of estimated tax	27b	00
c. Tax paid with partnership return (attach schedule)	27c	00
d. Tax paid with nonresident withholding (attach schedule)	27d	00
28. Balance of tax due (enter overpayment in brackets)	28	00
29. Interest (due on all extended payments)	29	00
30. Penalty	30	00
31. TOTAL INCOME TAX DUE (overpayment) (add lines 28, 29, and 30)	INCOME 31	00
32. TOTAL TAX DUE (overpaid) (line 10 plus (or minus) line 31)	If balance due, remit to N. C. Dept. of Revenue. TOTAL 32	00
33. Amount of overpayment applied to 1999 estimated tax	33	00
34. Amount of overpayment to be refunded	34	00

ESCHEATS AND ABANDONED PROPERTY: Does this corporation hold unclaimed property including wages, accounts payable, dividends, etc., that is subject to G. S. 116B? Yes No
I certify that, to the best of my knowledge, this return is accurate and complete.

Date

Signature and title of officer

Date

Signature of preparer other than taxpayer

**INCOME TAX SCHEDULES
(B, F, G, H, I, J, K, L, and M)**

Schedule F- NET INCOME BEFORE STATE ADJUSTMENTS				
Complete this schedule only if you do not attach a copy of your federal income tax return including all supporting schedules.				
INCOME	1. Ordinary income (loss) from trade or business activities	1		
	2. Net income (loss) from rental real estate activities	2		
	3. Net income (loss) from other rental activities	3		
	4. Portfolio income (loss)			
	a. Interest income	4a		
	b. Dividend income	4b		
	c. Royalty income	4c		
d. Capital gains and (losses) from Federal Schedule D	4d			
e. Other portfolio income (loss) (attach schedule)	4e	4		
5. Net gain (loss) under IRC Section 1231 (other than due to casualty or theft)	5			
6. Other income (loss) (attach schedule)	6			
7. Total income (add lines 1 through 6)	7		00	
DEDUCTIONS	8. Charitable contributions (attach schedule)	8		
	9. Section 179 expense deduction (attach schedule)	9		
	10. Deductions related to portfolio income (loss) (attach schedule)	10		
	11. Interest expense on investment debts	11		
	12. Other deductions (attach schedule)	12		
	13. Total deductions (add lines 8 through 12)	13		00
	14. Net income (loss) before state adjustments (subtract line 13 from line 7 and enter amount here and on schedule G, line 1) . . .	14		00

Schedule G - COMPUTATION OF STATE NET INCOME (For Composite Filers Only)			
1. Net Income (loss) before state adjustments (see instructions) (from schedule F, line 14)	▶	1	00
2. Additions:			
a. State income taxes and other taxes based on net income	▶	2a	00
b. Capital loss carry-over	▶	2b	00
c. Contributions	▶	2c	00
d. Percentage depletion in excess of cost depletion (see instructions)	▶	2d	00
e. Other (attach schedule)	▶	2e	00
3. Total (line 1 plus items listed under line 2)		3	00
4. Deductions:			
a. Interest - U.S. obligations - Net of expenses	▶	4a	00
b. Deductible dividends (attach schedule) (see instructions)	▶	4b	00
c. Capital loss not deducted on federal return	▶	4c	00
d. Adjustment to property basis required by federal tax credit (see instructions)	▶	4d	00
e. Other (attach schedule)	▶	4e	00
5. Net Income Before Contributions (line 3 minus items listed under line 4)		5	00
6. Less: Contributions to donees outside N. C. (amount limited to 5% (.05) of line 5)	▶	6	00
7. Total State Net Income (subtract line 6 from line 5; enter the total here and on page 1, schedule B, line 11)		7	00

Schedule H - TAX RATE SCHEDULE	
S corporations filing a composite return use the following rates in computing the amount of tax due for each nonresident shareholder:	
6%	of the first \$12,750
7%	of the amount over \$12,750 to \$60,000
7.75%	of the amount over \$60,000

Schedule I- COMPUTATION OF APPORTIONMENT FACTORS

Part I	Domestic Corporations and Other Corporations <u>Not Apportioning</u> Franchise or Income Outside of North Carolina (enter 100.0000% here and on page 1, schedule B, line 14)		▶ _____ %																																		
Part II	Corporations <u>Apportioning</u> Franchise or Income to North Carolina and to Other States compute the following:																																				
	<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Property (use original cost)</th> <th colspan="2">In North Carolina</th> <th colspan="2">Total Everywhere</th> </tr> <tr> <th>Beginning of taxable year</th> <th>End of taxable year</th> <th>Beginning of taxable year</th> <th>End of taxable year</th> </tr> </thead> <tbody> <tr><td>Land</td><td></td><td></td><td></td><td></td></tr> <tr><td>Buildings</td><td></td><td></td><td></td><td></td></tr> <tr><td>Inventories</td><td></td><td></td><td></td><td></td></tr> <tr><td>Other Property</td><td></td><td></td><td></td><td></td></tr> <tr><td>Total</td><td></td><td></td><td></td><td></td></tr> </tbody> </table>	Property (use original cost)	In North Carolina		Total Everywhere		Beginning of taxable year	End of taxable year	Beginning of taxable year	End of taxable year	Land					Buildings					Inventories					Other Property					Total						
Property (use original cost)	In North Carolina		Total Everywhere																																		
	Beginning of taxable year	End of taxable year	Beginning of taxable year	End of taxable year																																	
Land																																					
Buildings																																					
Inventories																																					
Other Property																																					
Total																																					
		In North Carolina	Total																																		
	PROPERTY VALUES (average value of property above)																																				
	Add: Rentals (attach schedule)																																				
1.	PROPERTY FACTOR			1 ▶ _____ %																																	
	Total Compensation	\$	\$																																		
	Less: Compensation to general executive officers	()	()																																		
2.	PAYROLL FACTOR	\$	\$	2 ▶ _____ %																																	
3.	SALES FACTOR (attach schedule)	\$	\$	3 ▶ _____ %																																	
4.	SALES FACTOR (enter the amount of line 3)			4 ▶ _____ %																																	
5.	TOTAL OF FACTORS (sum of lines 1, 2, 3 and 4)			5 _____ %																																	
6.	ARITHMETICAL AVERAGE OF FACTORS (enter here and on page 1, schedule B, line 14 – see instructions).			6 _____ %																																	
Part III	Excluded Corporations and Public Service Corporations Other Than Those Companies Listed in Part IV The sales factor alone must be used by “excluded corporations”. See instructions and G. S. 105-130.4 for definition of excluded corporation. These corporations need not complete the property and payroll factor sections of schedule I. Enter the sales factor computed on line 3 here and on page 1, schedule B, line 14.			▶ _____ %																																	
Part IV	Telephone Companies and Motor Carriers Enter the apportionment factor computed on the worksheet found on page 8 of the instructions here and on page 1, schedule B, line 14.			▶ _____ %																																	

NOTE: Calculate all apportionment factors to 4 places to the right of the decimal. Example: 9 9 . 9 9 9 9 %

Schedule J- NONBUSINESS INCOME

Complete this schedule only if you are a composite filer, you apportion income to North Carolina and to other states, AND you have income classified as nonbusiness income.

Rents and royalties from real or tangible property, gains and losses, interest, dividends, patent and copyright royalties, and other kinds of income to the extent that they constitute nonbusiness income, less related expenses, are subject to direct allocation and must be reported in this schedule.

General Statute 105-130.4 defines: ‘Business income’ as “income arising from transactions and activity in the regular course of the corporation’s trade or business and includes income from tangible and intangible property if the acquisition, management, and/or disposition of the property constitute integral parts of the corporation’s regular trade or business operations.”

‘Nonbusiness income’ as “all income other than business income.”

(Additional information concerning business/nonbusiness income is contained in booklet, “Franchise Tax and Corporate Income Tax Rules and Bulletins,” available upon request.)

	(a) Gross Amounts	(b) *Less Related Expenses and Dividends Deductible under G. S. 105-130.7	(c) Net Amounts (subtract amount of column b from column a)	(d) Net Amounts Allocated Directly to N. C.
1.				
2.				
3.				
4.				
5.				
6.				
7. Total nonbusiness income allocated directly to N. C. and other states (enter the total of column c here and on page 1, schedule B, line 12)			00	
8. Nonbusiness income allocated directly to N. C. (enter the total of column d here and on page 1, schedule B, line 16)				00

Explanation:

(Attach additional information if needed.)

*NOTE: For an acceptable means of computing related expenses, see Rule T17: 05C .0304, Attribution of Expenses, Nontaxable Income, and Nonbusiness Income and Property.

Schedule K- S CORPORATION SHAREHOLDER(S) SCHEDULE

Complete this schedule only if you have N.C. adjustments [column (c)] and tax credits [column (f)] that must be reflected in the computation of any shareholders' individual income tax liability AND you do not attach a copy of federal form 1120S including all supporting schedules.

Shareholder(s) Information		(a) percentage of stock ownership	(b) Amount from federal Schedule K-1 (1120S)	(c) N.C. adjustment	(d) North Carolina amount. Combine (b) and (c)	(e) Income Tax Paid For Shareholder	(f) Tax Credits
1.	Shareholder's SSN ▶	%					
	Shareholder's name, address, and ZIP code	Officer					
		Yes <input type="checkbox"/> No <input type="checkbox"/>					
		Title					
	*Schedule N, Agreement Form Filed? <input type="checkbox"/> Yes <input type="checkbox"/> No						
	*1998 NC Individual Return To Be Filed? <input type="checkbox"/> Yes <input type="checkbox"/> No						
2.	Shareholder's SSN ▶	%					
	Shareholder's name, address, and ZIP code	Officer					
		Yes <input type="checkbox"/> No <input type="checkbox"/>					
		Title					
	*Schedule N, Agreement Form Filed? <input type="checkbox"/> Yes <input type="checkbox"/> No						
	*1998 NC Individual Return To Be Filed? <input type="checkbox"/> Yes <input type="checkbox"/> No						
3.	Shareholder's SSN ▶	%					
	Shareholder's name, address, and ZIP code	Officer					
		Yes <input type="checkbox"/> No <input type="checkbox"/>					
		Title					
	*Schedule N, Agreement Form Filed? <input type="checkbox"/> Yes <input type="checkbox"/> No						
	*1998 NC Individual Return To Be Filed? <input type="checkbox"/> Yes <input type="checkbox"/> No						
4.	Shareholder's SSN ▶	%					
	Shareholder's name, address, and ZIP code	Officer					
		Yes <input type="checkbox"/> No <input type="checkbox"/>					
		Title					
	*Schedule N, Agreement Form Filed? <input type="checkbox"/> Yes <input type="checkbox"/> No						
	*1998 NC Individual Return To Be Filed? <input type="checkbox"/> Yes <input type="checkbox"/> No						
5.	Shareholder's SSN ▶	%					
	Shareholder's name, address, and ZIP code	Officer					
		Yes <input type="checkbox"/> No <input type="checkbox"/>					
		Title					
	*Schedule N, Agreement Form Filed? <input type="checkbox"/> Yes <input type="checkbox"/> No						
	*1998 NC Individual Return To Be Filed? <input type="checkbox"/> Yes <input type="checkbox"/> No						
TOTALS							

Explanation (see instructions)

*After entering shareholder's name and address, nonresident shareholders indicate if schedule N, agreement to file and pay tax, has been filed. All shareholder's indicate if N. C. Individual return will be filed.

Column (a) Indicate percentage of ownership as determined under federal rules. Also, if an officer mark the "Yes" box and give title.

Column (b) Combine and net the amount from federal Form 1120S, schedule K-1.

Column (c) Enter all additions and deductions required under G. S. 105-130.5 of the corporate law and applicable provisions of the Individual Income Tax Law.

Column (d) Generally this amount should be the taxable income of the S shareholder for North Carolina individual income tax purposes.

Column (e) If a composite return is filed on behalf of some or all shareholders or if the corporation has nonresident shareholders who have not filed the "nonresident agreement" agreeing to be liable for the tax on income earned in North Carolina, the amount of tax will be entered in this column and the total of such tax remitted with this return.

Column (f) Any tax credit for which the corporation is eligible should be shown on an attached schedule and the pro rata share of such credits should be shown in this column. Also, for resident shareholders, include the pro rata share of income tax paid by the corporation to other states.

Schedule L-BALANCE SHEETS

ASSETS	BEGINNING OF TAXABLE YEAR		END OF TAXABLE YEAR	
	(a)	(b)	(c)	(d)
1. Cash				
2. a. Trade notes and accounts receivable				
b. Less: Allowance for bad debts	()		()	
3. Inventories				
4. Government Obligations a. U. S. & instrumentalities				
b. State and others				
5. Tax-exempt securities				
6. Other current assets (attach schedule)				
7. Loans to stockholders				
8. Mortgage and real estate loans				
9. Other investments (attach schedule)				
10. a. Buildings and other depreciable assets				
b. Less accumulated depreciation	()		()	
11. a. Depletable assets				
b. Less accumulated depletion	()		()	
12. Land (net of any amortization)				
13. a. Intangible assets (amortizable only)				
b. Less accumulated amortization	()		()	
14. Other assets (attach schedule)				
15. Total assets				
LIABILITIES AND SHAREHOLDERS' EQUITY				
16. Accounts payable				
17. Mtges., notes, bonds payable in less than 1 yr.				
18. Other current liabilities (attach schedule)				
19. Loans from shareholders				
20. Mtges., notes, bonds payable in 1 yr. or more				
21. Other liabilities (attach schedule)				
22. Capital stock				
23. Additional paid-in capital				
24. Retained earnings				
25. Adjustments to shareholders' equity (attach schedule)				
26. Less cost of treasury stock		()		()
27. Total liabilities and shareholders' equity				

Schedule M-1- RECONCILIATION OF INCOME (LOSS) PER BOOKS WITH INCOME (LOSS) PER RETURN

Complete this schedule only if the total assets on line 15; column (d), of schedule L exceed \$25,000.

1. Net income (loss) per books		5. Income recorded on books this year not included on schedule F, lines 1 through 6 (itemize):	
2. Income included on schedule F, lines 1 through 6, not recorded on books this year (itemize): _____		(a) Tax-exempt interest \$ _____	
3. Expenses recorded on books this year not included on schedule F, lines 1 through 13 (itemize):		6. Deductions included on schedule F, lines 1 through 13; not charged against book income this year (itemize):	
(a) Depreciation \$ _____		(a) Depreciation \$ _____	
(b) Travel and Entertainment \$ _____		7. Add lines 5 and 6	
4. Add lines 1 through 3		8. Income (loss) (page 3, schedule F, line 14) - (line 4 less line 7)	

Schedule M-2- ANALYSIS OF ACCUMULATED ADJUSTMENTS ACCOUNT, OTHER ADJUSTMENTS ACCOUNT, AND SHAREHOLDERS' UNDISTRIBUTED TAXABLE INCOME PREVIOUSLY TAXED (See instructions)

	(a) Accumulated adjustments account	(b) N. C. adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1. Balance at beginning of year			
2. Ordinary income from page 3, schedule F, line 1			
3. Other additions			
4. Loss from page 3, schedule F, line 1	()		
5. Other reductions	()	()	
6. Combine lines 1 through 5			
7. Distributions other than dividend distributions			
8. Balance at end of tax year. (subtract line 7 from line 6)			