

**Frequently Asked Questions**  
**Re: Employee's Withholding Allowance Certificate NC-4EZ/NC-4 &**  
**Withholding Certificate for Pension or Annuity Payments NC-4P**

**General**

**Q1. Why is it necessary for me to complete a new Employee's Withholding Allowance Certificate for tax year 2014?**

*A1. The North Carolina General Assembly recently enacted House Bill 998 which becomes effective for taxable years beginning on or after January 1, 2014. Under this new law, all taxpayers will be allowed a higher standard deduction and will be taxed at a lower rate. However, taxpayers may no longer claim a personal exemption for themselves, their spouse, children, or any other qualifying dependents. Additionally, many deductions and tax credits that impact North Carolina withholding tax are no longer available for tax years beginning on or after January 1, 2014.*

**Q2. What is the difference between the NC-4EZ and the NC-4?**

*A2. The NC-4EZ is a new, simplified form which should suffice for most taxpayers. The NC-4 is the complete form which may result in a more accurate withholding amount, but requires historical tax information and will involve estimates.*

**Q3. Are employees who work in NC but whose domicile (legal residence) is another State required to submit a new certificate?**

*A3. Yes. A nonresident individual who is employed in NC should submit a new Employee's Withholding Allowance Certificate to his/her employer.*

**Employee/Pension Recipient**

**Q4. Which form should I use, the NC-4EZ or the NC-4?**

*A4. Any employee may use the NC-4EZ. Employees who will claim zero (0) allowances or only allowances available for taxpayers who expect to claim a tax credit for children will find the NC-4EZ easier to complete.*

*However, an employee may wish to complete the NC-4 if they expect to claim any of the following on their 2014 N.C. individual income tax return: large N.C. itemized deductions; federal adjustments to income or State deductions from income; tax credits; filing status of married filing jointly where the spouse's combined wages and taxable pensions do not exceed \$5,000; filing status of married filing jointly and the spouse will receive only non-taxable pensions; filing status of qualifying widow(er).*

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**Q5. If my wages will exceed \$100,000, can I still use the NC-4EZ?**

*A5. Yes. Any employee may use the NC-4EZ.*

**Q6. Can I submit the federal W-4, instead of completing North Carolina's Employee's Withholding Allowance Certificate?**

*A6. No, federal and State laws are different. The federal W-4 cannot be used as a substitute for either the NC-4EZ or NC-4.*

**Q7. Can I claim the same number of allowances that I claimed on my last NC-4?**

*A7. The method of determining the number of allowances to which you are entitled for tax year 2014 is different than in years past. Unless you claimed zero (0) allowances on your most recent NC-4, you may not be entitled to as many allowances as you would have been entitled to in the past.*

**Q8. What will happen if I do not complete and return a new NC-4EZ or NC-4 to my employer?**

*A8. Your employer will be required to withhold from your wages as a single person with zero allowances.*

**Q9. Are North Carolina itemized deductions the same amount that you claim on federal Schedule A, itemized deductions?**

*A9. No. For tax years beginning on or after January 1, 2014, North Carolina itemized deductions include only the following items:*

- *Qualified mortgage interest<sup>1</sup>*
- *Real estate property taxes<sup>1</sup>*
- *Charitable contributions<sup>2</sup>*

*<sup>1</sup>The sum of your mortgage interest and real estate property taxes may not exceed \$20,000. Even if filing as married filing separately, the \$20,000 limitation applies to the combined total qualified mortgage interest and real estate property taxes claimed by both spouses, rather than to each spouse separately.*

*<sup>2</sup> You may claim the same amount of charitable contributions on your North Carolina tax return as you are allowed to deduct on your 2014 federal return.*

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**Q10. North Carolina does not tax my social security income, retirement income deductible under *Bailey*, or railroad retirement benefits received under the Railroad Retirement Act. Why is there no deduction for these amounts on the Allowance Worksheet, Part II, Line 4?**

*A10. The purpose of the Employee's Withholding Allowance Certificate is to determine the amount of tax to be withheld from your taxable wages. Exempt income, such as those listed, is received separately from your taxable wages and should not be considered for the purposes of the Allowance Worksheet, Part II, Line 4.*

**Q11. My deductions for social security income, retirement income deductible under *Bailey*, or railroad retirement benefits received under the Railroad Retirement Act are not considered on the Allowance Worksheet, Part II, Line 4. Why are they considered on the Allowance Worksheet, Part II, Line 13 in the case of certain taxpayers who intend to file their 2014 N.C. individual income tax return as married filing jointly?**

*A11. The withholding tax tables were created under the premise that both spouses, who intend to file as married filing jointly, would earn taxable wages. An employee who is completing the Allowance Worksheet as married filing jointly should determine the total combined allowances for both spouses. If one spouse does not earn taxable wages, Line 13 makes additional allowances available to the spouse who is earning taxable wages.*

**Q12. Neither the educator expense nor the tuition and fees deduction are listed as available deductions on Schedule 2 of the Allowance Worksheet. Why would I not consider these deductions?**

*A12. The adjustment to income for (1) educator expenses and (2) tuition and fees both expire for tax years beginning on or after January 1, 2014. Therefore, you may not deduct either of these items for purposes of determining your 2014 N.C. withholding allowances.*

**Q13. I have two jobs. Do I need to complete a new NC-4EZ or NC-4 for my second employer?**

*A13. Yes. You must complete a new NC-4EZ or NC-4 for each employer. Refer to the Multiple Jobs Table of the Form NC-4 instructions for more information.*

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**Q14. If I meet the conditions to claim exempt from North Carolina withholding, why do I have to complete a new NC-4EZ or NC-4 each year?**

*A14. North Carolina law requires income tax to be withheld from all wages; however, the law does allow an exemption from withholding if certain conditions are met. Because your circumstances may change from year to year, an exempt status is good for only one year at a time.*

**Q15. I currently receive a periodic pension payment. I have tax withheld from my pension payments. If I also intend to receive a nonperiodic distribution, do I have to submit another NC-4P?**

*A15. Yes. If a pension payer has more than one arrangement under which it may make pension payments to a resident of this State, each arrangement must be treated separately. (G.S. 105-163.2A(b)).*

**Q16. My partner and I will be married in December. This will be a same-sex marriage. How do my partner and I complete the NC-4?**

*A16. N.C. does not recognize same-sex marriages. Same-sex couples who file married for federal purposes must complete the NC-4 as single, or if qualified, head of household or qualifying widow(er).*

**Q17. With regard to line 13 of the NC-4/NC-4P, if the spouse will receive neither wages nor taxable retirement benefits and they are married filing jointly, which line applies?**

*A17. (a). In this scenario, spouse has zero(0) wages and will receive zero (0) taxable retirement benefit. Enter 3 on line 13.*

**Employer/Pension Payer**

**Q18. May we assist employees with completing the Employee's Withholding Allowance Certificate, for tax year 2014?**

*A18. Yes. However, the employee is ultimately responsible for furnishing a signed certificate. The number of allowances reported on the certificate shall not exceed the amount of allowances to which the employee is entitled.*

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**Q19. Are pre-taxed health insurance premiums a deduction for the purpose of completing the NC-4 Allowance worksheet?**

*A19. No. Pre-tax items are not included in taxable income and similarly should not be included when completing the NC-4 Allowance worksheet.*

**Q20. When do we send a NC-4EZ or NC-4 to the Department?**

*A20. If an employee claims more than 10 allowances, you should forward this document to the Department and keep a copy for your records.*

**Q21. Does the employer have to provide both the NC-4 & the NC-4EZ to their employees?**

*A21. An employer must make every employee aware of both the NC-4 and the NC-4EZ and how the employee can access either form.*

**Q22. What should pension providers do if no new NC-4P is on file and the recipient had indicated on the 2013 NC-4P that the recipient didn't want any State income tax withheld from the pension distribution?**

*A22. If the recipient of periodic pension payments had previously made a valid election not to have taxes withheld, the election remains in effect until revoked by the recipient. Pension payers who make nonperiodic distributions must withhold 4% of the distribution to recipients who have not furnished a new NC-4P.*

**Q23. Can we accept a new NC-4EZ or NC-4 with an electronic signature?**

*A23. Yes.*

**Q24. Previously, we were required to submit any NC-4 claiming 10 or more allowances or exempt from withholding. Is this still the requirement?**

*A24. Yes. Although no longer required by the IRS, North Carolina requires an employer to submit copies of any certificates (Form NC-4 and Form NC-4 EZ) on which the employee claims more than 10 withholding allowances or claims exemption from withholding and the employee's wages would normally exceed \$200 per week. Retain the original certificate in your files.*

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**Q25. If a company has a payroll period of December 22, 2013 through January 4, 2014, should the company wait until the payroll period beginning January 5, 2014 to implement the allowances claimed by the employee on the newly filed Withholding Allowance Certificate?**

*A25. No. Implementation should be in effect for any wages earned on or after January 1, 2014. North Carolina G.S. 105-163.2(a) requires that an employer shall deduct and withhold from the wages of each employee the State income taxes payable by the employee on the wages. For each payroll period, the employer shall withhold from the employee's wages an amount that would approximate the employee's income tax liability if the employer withheld the same amount from the employee's wages for each similar payroll period in a calendar year. In calculating an employee's anticipated income tax liability, the employer shall allow for the exemptions, deductions, and credits to which the employee is entitled under Article 4 of this Chapter. The amount of State income taxes withheld by an employer is held in trust for the Secretary.*

**Q26. If an IRA is classified as nonperiodic for federal purposes, are they classified the same for NC purposes?**

*A26. Yes. North Carolina (G.S. 105-163.2A(a)) follows the same definitions for the terms periodic payment and nonperiodic distribution.*

**Q27. Does an employer need to obtain a new NC-4 from a former employee who receives severance wages in excess of \$35,000?**

*A27. Yes. An employer shall obtain a new NC-4 from every former employee who is a resident of NC and is receiving severance wages. Note: The deduction on the North Carolina Individual Income Tax Return for the first \$35,000 of severance wages received has been repealed for tax years beginning on or after 2014.*