

SOFTWARE DEVELOPERS AND TRANSMITTERS
INDIVIDUAL INCOME TAX GUIDE
FOR
TAX YEAR 2009



CHAPTER 1

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INTRODUCTION

The North Carolina Department of Revenue (NCDOR) is preparing for the 16th consecutive year of the statewide Federal/State Electronic Filing Program. The program for the 2008 tax year was extremely successful. During 2009, NCDOR processed over 2.7 million individual income tax returns received through the cooperative program.

Federal/State Electronic Filing is a progressive step in meeting the needs of the tax professionals and the taxpayers of North Carolina. The success of the program for the upcoming year will once again be heavily dependent upon the combined and dedicated efforts of each participating software developer and the NCDOR.

The purpose of this guide is to assist software developers in preparing the North Carolina tax data for electronic filing. Other publications from the NCDOR and the Internal Revenue Service (IRS) will discuss the policies and procedures that are a part of this program.

If you have any questions or concerns, please contact the Department personnel listed in Chapter 2. Our goal is open communication with you so that our program will continue to be successful. As always, we welcome your comments and suggestions.

The record layout in this guide may be altered by congressional legislation enacted during 2009 or by IRS revisions to the generic record layout. If modifications are necessary to this document, we will send you the updates as quickly as possible.

CHAPTER 2

CONTACT PERSONNEL Business Systems Development

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Phone: (919) 715-3728
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Tim Young, Analyst Programmer
Phone: (919) 715-9250
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E-File Development Unit Filing, Software Guidelines, Procedures, and Record Layout

We encourage you to use the following email for a prompt response from the E-File Development Unit:

nctaxefile@dornc.com

Phone: 1-877-308-9103 or (919) 733-1674
Fax: (919) 715-6158

Drucilla Minifield – E-File Coordinator
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CHAPTER 3

NORTH CAROLINA ELECTRONIC FILING CALENDAR For Tax Year January 1, 2009 to December 31, 2009

Begin Federal/State Software Testing	November 10, 2009
Last Date to Submit Initial Test Transmission	December 31, 2009
End Federal/State Software Testing	January 12, 2010
Begin Transmitting Returns to IRS/NCDOR	January 15, 2010
Last Date for Timely Filed Returns	April 15, 2010
Last Date for Retransmission of Rejected Timely Filed Returns.....	April 20, 2010
Last Date for Extended Filed Returns	October 15, 2010
Last Date for Retransmission of IRS Rejected Late Filed Returns.....	October 20, 2010



NOTE: DATES SUBJECT TO CHANGE AT ANY TIME



CHAPTER 4

NORTH CAROLINA TESTING PROCESS

All software developers and transmitters are required to test their transmission software with the NCDOR. In addition, they must submit test scenarios to the IRS and the test scenarios provided must be accepted with no error reject codes before acceptance as an electronic filer for tax year 2009.

Under the concurrent testing rule, software developers may begin State testing prior to obtaining final acceptance from the IRS for the Federal PATS process. The primary home service center is defined as the IRS center that supports the state where the software developer is physically located. The NCDOR is assigned to the IRS Philadelphia Submission Processing Center. The IRS anticipates PATS testing to begin November 10, 2009. Each software developer must submit a "Response Form" to the E-File Development Unit to schedule State testing. The list of contact personnel is in Chapter 2.

Testing ensures, prior to live processing, that:

- the software is correctly formatted;
- edits agree with North Carolina specifications;
- returns will have no math errors;
- required fields are present; and,
- required fields will post to the NCDOR master file.

The 2009 North Carolina test package consists of 10 return scenarios. All of the returns are eligible for North Carolina e-file. Each test is comprised of State test data followed by the applicable federal test data. It may be necessary to add or change some of the federal data as specified by North Carolina. **Knowledge of federal and North Carolina State tax laws and tax preparation is necessary.** The returns must be correctly prepared and computed prior to transmitting the tests and each transmitted record must contain valid software developer identification. Any records received by NCDOR that do not contain a valid identification will **not** be processed.

NCDOR will notify software developers via email of the results of the PATS testing within two business days of receipt of the test data. Upon receipt of the test scenarios, NCDOR will send the e-file contact person an email listing the test returns received as well as the test returns missing in the transmission (i.e. We received tests #'s 1, 2, 3, 4, 6, 7, 8, 9, and 10 in the AM drain. We are missing test #5.). If a test return is missing from the transmission, please wait until the next transmission to send the missing return. All 10-test scenarios should be retransmitted as soon as corrections have been made. You must continue to transmit all 10-test returns until **no** errors are detected on any of the test scenarios.

If you wish to offer software capable of online filing North Carolina returns, you will be required to transmit all 10 test returns using your online filing product with IRS Field #0049 filled with a value of "O."

Test return #10 is available to test the transmission of a State Only return. You must place "SO" in IRS Field 0019, State Only Indicator, for this test.

The range of test social security numbers assigned by the IRS for use by the NCDOR for Federal/State testing is **400-00-4900 to 400-00-4999**. The IRS will only accept these social security numbers during testing. These social security numbers will be rejected if submitted during live processing.

The last date to submit your initial State test transmission is December 31, 2009. All State software testing must be completed by January 15, 2010. Since much of our testing process is automated and requires manual effort to separate test data from live data, we do not intend to extend the testing period beyond January 15, 2010. Please do not wait until the last minute to begin or complete testing.

SOFTWARE APPROVAL

PATS testing approval is a two-step process. A software developer must test their software designed to electronically file a North Carolina return and test all North Carolina Individual Income Tax Forms, including the D-400, D-400TC and D-400V. Software developers will be notified in writing of their e-file approval after completing the e-file testing process. The acceptance letter will be emailed and the original copy mailed. If, after acceptance, your software company has production problems, the NCDOR reserves the right to disapprove the company for the remainder of the filing season.

Once testing is complete and you have been sent an approval letter, you may release your software product for e-file even if your forms have not been approved for paper filing. You will need to place a **banner** over the D-400, D-400TC and D-400V stating the form has not been approved for paper filing. In addition, you must do all of the following:

- Software Developers are to notify the Department, customers, and clients within 10 business days of discovery, errors are to be corrected and the Department provided satisfactory evidence that the errors have been corrected and customers/clients have been notified of the correction. Errors made by the North Carolina Department of Revenue and software developers will be placed on the Department's website for public viewing.
- Developers are no longer required to provide a copy of the software or 'URL' unless requested. If requested, developers must provide a copy of the software or 'URL' within 5 business days from the date of request.

A master file of software developers approved by North Carolina will be maintained by NCDOR and listed on the Department's website at www.dornrc.com.

- Provide a screen shot to verify the verbiage for taxpayer's designation to the NC Political Parties Fund and/or the Public Campaign Fund. You are also required to furnish a screen shot of the instruction page to verify the following verbiage: "If you owe additional tax, you can pay online by bank draft or debit card using Visa or MasterCard. To pay online, go to the Department's website at www.dornrc.com and click onto Electronic Services.

FORMS APPROVAL

Each software developer must gain approval to produce paper substitute tax forms. A substitute tax form is a computer-generated tax form that is produced by a software company for use in lieu of a form produced by the Department. A substitute tax form must meet the specifications set forth in the Requirements for Approval of Substitute Tax Forms to be approved by the Department. It is the responsibility of the software developer to submit tax forms for approval based upon the latest edition of this document.

This document provides an overview of the process for creating and submitting substitute tax forms for approval. It is critical that each company meet specified deadlines to ensure that the Department may accept returns filed from your company.

Step One: Agreement to Comply

The Department requires each software developer to file an Agreement to Comply annually. The deadline for submitting this agreement was August 21, 2009. This agreement, divided into three parts, provides the Department with verification that the software developer will follow all regulations stipulated by the Department. In addition, software developers enter product information and personnel contact information on the Agreement and identify all forms that will be reproduced.

Step Two: Obtain a Software Developer ID Number

A unique two-digit developer ID number is assigned to each developer. All substitute tax forms must include this Software Developer ID Number. Once assigned, this number becomes your permanent ID number. The Software Developer ID Number must be placed in the proper position in the barcode and in parentheses after the Form Number located in the top left-hand corner of every published tax form. If your company needs a Software Developer ID Number, contact Trudy Ivey, Administrative Assistant, at (919) 733-3117.

Step Three: Accessing Tax Forms and Publications

The Department posts information necessary to produce substitute tax forms on the web site for software developers. Draft and final tax forms, form specifications, and other relevant information are posted on this site. This web site is located at www.dornc.com/forms/generated.html or you may access the site by going to the NCDOR homepage at www.dornc.com, selecting Tax Forms, and selecting Software Programs.

Step Four: Designing Tax Forms for Processing

Software developers may choose two options to design substitute tax forms. The developer may choose to obtain templates of the forms from a form provider, such as Nelco or Alpine Data, or the developer may design the forms in-house.

Step Five: Submitting Forms for Approval

All forms must be sent by courier (UPS, FED EX, etc.) or in PDF format via email. Submit all courier mail packages to:

North Carolina Department of Revenue
Attn: Trudy Ivey, Forms Development & Testing Unit
501 N. Wilmington St.
Raleigh NC 27604-8001

Submit all PDF forms to SDFormsUpdate@dornc.com

CHAPTER 5

FED/STATE ACKNOWLEDGMENT SYSTEM

The IRS allows the posting of State Acknowledgments through the same portal that is used for Federal Acknowledgments. This is a single path retrieval method for transmitters. The Fed/State Acknowledgment System is designed to inform EROs, transmitters, Intermediate Service Providers, and software developers that the federal and North Carolina returns have been retrieved from the IRS and NCDOR. Under normal processing conditions, North Carolina acknowledgments are posted on a daily basis upon return retrieval from the IRS. Transmitters who transmit for EROs and Intermediate Service Providers **must** notify them of the State acknowledgment at the time of receipt.

NCDOR will acknowledge receipt of the State data packet from the IRS through the cooperative Fed/State Acknowledgement System. The North Carolina Acknowledgment Record will indicate acceptance of the return by the NCDOR and include reject codes, if applicable. The North Carolina record only indicates that the Department received or rejected the return. The "State Packet Code" in the IRS's ACK Key Record will indicate receipt of the state return at the IRS Memphis Submission Processing Center. State Only returns will be acknowledged in the same manner as a Fed/State return.

EROs and Transmitters should compare the North Carolina acknowledgment records against the returns transmitted to determine that the Department successfully received all returns. **The timely posting of North Carolina acknowledgments by software developers to their clients is strongly encouraged.** In the event the transmitter does not successfully transmit a state record electronically, immediate affirmation allows the tax professional to promptly file the return through the normal paper process.

Developers need to design their systems to accommodate duplicate acknowledgment records. There is a possibility that we may re-transmit acknowledgment records if we believe a problem exists with records that have already been transmitted.

CHAPTER 6

EXCLUSIONS FROM NORTH CAROLINA ELECTRONIC FILING

For tax year 2009, North Carolina tax documents that may be filed electronically are Forms D-400 and D-400TC. The following State forms are **not** acceptable for electronic filing for the 2009 tax year.

- ☞ Form D-400X, Amended Individual Income Tax Return
- ☞ Prior year returns – any return not for tax year 2009
- ☞ Corrected or amended returns on forms other than Form D-400X
- ☞ Returns for non-calendar year filers
- ☞ Returns requiring **more** than one Form D-400TC
- ☞ Form NC-478 and/or series NC-478A thru L.
A taxpayer that is required to file Form NC-478 and/or Forms NC-478A thru L can file their Form D-400 and D-400TC electronically. However, Form NC-478 and Forms NC-478A thru L themselves cannot be filed electronically and **must** be mailed to the NCDOR.
- ☞ Form D-410, Application for Extension for Filing Individual Income Tax Return
A taxpayer requesting an extension cannot file Form D-410 through the Fed/State e-file program. However, Form D-410 can be filed electronically through the Department's website at www.dorncc.com. A taxpayer that has received an extension of time to file their return can file their return electronically but must do so by October 15, 2010.

NOTE: In addition to the above exclusions from North Carolina e-file, any income tax return in the list of exclusions from Federal e-file cannot be filed through the Federal/State e-file program.

CHAPTER 7

DIRECT DEPOSIT

Direct deposit is available for individual income tax returns that are e-filed by an approved tax preparer or an approved online service provider. Direct deposit is available only for the original refund and is **not** available to taxpayers filing a paper return. Direct deposit is also **not** available for taxpayers requesting a direct deposit to or through a foreign financial institution. If you use a foreign financial institution you will be issued a paper check.

A refund anticipation loan(RAL) is money borrowed by the taxpayer from a lender based on the taxpayer's anticipated refund amount. North Carolina is not involved in or responsible for RALs. All parties to RAL agreements, including electronic return originators(EROs), must ensure that taxpayers understand that RALs are interest-bearing loans. North Carolina is not liable for any loss suffered by taxpayers, EROs, or financial institutions due to processing delays, reduced refunds, or direct deposits not being honored (resulting in refund checks being issued).

Direct deposit refunds are electronically transferred to a taxpayer's financial institution into a checking or savings account. A financial institution for the purposes of direct deposit of tax refunds is defined as a state or national bank, credit union, savings and loan association or mutual savings bank within the United States. Refunds may not be deposited into a credit card account.

Taxpayers may elect the following options for receipt or designation of their overpayment.

- 1) Direct deposit into a bank account
- 2) Receipt of a check
- 3) Crediting the overpayment as an estimated tax payment for the next tax year
- 4) Contribution to the NC Nongame and Endangered Wildlife Fund

A check will be issued if any of the following conditions exist.

- 1) The refund cannot be direct deposited based upon the information provided (i.e. invalid routing number or invalid account number)
- 2) Rejection by the financial institution
- 3) Discretion of the Department of Revenue based upon a review of the tax return

Checks will be made payable to all taxpayers stated on the return and will be mailed to the address stated on the return.

Some financial institutions do not permit the deposit of a joint refund into an individual account. The NCDOR is not responsible if a direct deposit is rejected for this reason. Check or share draft accounts that are "payable through" another institution may not accept direct deposits. Taxpayers should verify the financial institution's policy on direct deposits before filing.

Acknowledgment

The North Carolina acknowledgment process will only indicate receipt of the e-filed return. The acknowledgment system will **not** indicate proof that the direct deposit election was honored.

Eligibility Requirements

- The return must be e-filed by an approved ERO or online service provider.
- The return must be for the current filing tax year.
- The taxpayer must show the ERO acceptable proof-of-account from the financial institution that the taxpayer designates. Acceptable proof-of-account is a check, a statement or a form generated by the financial institution. A deposit slip is **not** an acceptable proof-of-account because it may contain internal routing numbers that are not part of the account number. The proof-of-account document must contain the following preprinted information:
 - Account name and address -- name and address on the account as it appears on the records at the financial institution
 - Name of financial institution
 - Account number -- maximum 17 numeric characters
 - Routing Transit Number (RTN) – must be 9 numeric characters
- The account designated to receive the direct deposit must be in the taxpayer's name.
- IRS Publication 1345, Handbook for Authorized IRS *e-file* Providers of Individual Income Tax Returns, sets forth detailed eligibility requirements, responsibilities, and instructions governing tax preparers, transmitters, and EROs who offer taxpayers the option of direct deposit. Those same rules, policies, and procedures apply when offering direct deposit on the State return.

The Responsibilities of an ERO

- Advise taxpayers of the option to receive their refund by direct deposit and ensure that the taxpayer is knowledgeable of all the general information regarding direct deposit.
- Accept direct deposit election to any eligible financial institution designated by the taxpayer.
- Ensure that taxpayers electing direct deposit meet the eligibility requirements listed under "Eligibility Requirements."
- Verify the direct deposit information is correct.
- Must never charge a separate fee for direct deposit.
- Inform the taxpayer that after an e-filed return has been accepted for processing and once the return is accepted by the IRS and by North Carolina:
 - the direct deposit election cannot be rescinded,
 - the account number cannot be changed, and
 - the routing transit number cannot be changed.
- Crosscheck bank account information with repeat clients. Some software maintains the previous year's data and reuses it unless it is changed.

Frequently Asked Questions

What is IAT?

IAT is the acronym for International ACH Transaction-which is an ACH entry that is part of a payment transaction involving a (financial agency's - an institution authorized by law to accept deposits, issue money orders or transfer funds), office that is not located in the territorial jurisdiction of the United States. Effective September 18, 2009, all international transactions made via the ACH Network will be required to use the IAT SEC code. This new rule applies to all ACH participants and will simplify the process of identifying international transactions by requiring that IAT entries include specific data elements defined by the Bank Secrecy Act's (BSA) "Travel Rule." The new rule will also define new parties to the IAT entry and re-define gateway operator obligations.

Can the State refund and the federal refund be deposited into a different account?

Yes, the State refund can be deposited into a different account than the federal refund. A taxpayer may elect to have the State refund direct deposited even though the federal return may be a tax due or vice versa. In addition, the federal and state refunds can be deposited into the same account (checking or savings).

Will a notice be sent to the ERO or to the taxpayer on the status of the direct deposit?

No, a notice will not be sent to the ERO or to the taxpayer to confirm that the refund was deposited into an account. Also, the Department cannot guarantee a specific date that a refund will be deposited. Taxpayers may check the status of their refund by calling 1-877-252-4052.

Can a refund be deposited into more than one account?

No, a refund can only be deposited into one account.

What are the benefits of direct deposit?

No worries about refund check being lost, stolen, or returned due to incorrect address; Money will be deposited in your bank account much quicker. (Please be sure to verify your bank account information)

Can the same bank account be used more than once?

There are no limitations on the number of deposits that can be made to one bank account. However, the Department reserves the right to issue a check in the event of an erroneous account or routing transit number, closed accounts, bank mergers, or for any other reason at the discretion of the Department.

Requirements for Direct Deposit

Direct Deposit is for electronically filed returns **only**. Direct Deposit is only available for the original refund. The Federal/State cooperative e-file program does not allow RALs (Refund Anticipation Loan) on the North Carolina State refund. Refunds may not be deposited into a credit card account.

Important: As a result of new banking rules, NCDOR does not support direct deposits into a financial institution that is not located in the territorial jurisdiction of the United States. Therefore; if you request your refund to be directly deposited into a financial institution that is not located in the United States, your direct deposit request will not be granted. Instead, you will be issued a paper check.

Note: The Department requires the Routing Transit Number, Depositor Account Number, and Type of Account screen to be entered twice to ensure accuracy.

Name of Financial Institution

A financial institution for the purposes of direct deposit of tax refunds is defined as a state or national bank (including the District of Columbia and political subdivisions of the 50 states), credit union, savings and loan association or mutual savings bank within the United States and established primarily for personal, family or household purposes. This field represents the name of the bank or financial institution to which the refund will be deposited.

Routing Transit Number

The routing transit number (RTN) is a valid number for the financial institution where the taxpayer's account is held. The RTN must contain nine (9) numeric characters. The RTN must be present on the Financial Organization Master File (FOMF) and the financial institution must process Electronic Funds Transfer (EFT). The RTN must be keyed as a nine-digit number containing no spaces or dashes. **Leave this field blank, no zeroes, if there is no direct deposit election.**

Depositor Account Number

The depositor account number or taxpayer bank account number must be alphanumeric (i.e. only alpha characters, numeric characters, and hyphens). The depositor account number must be entered exactly as it appears on the check or proof of account, eliminating spaces. The maximum number of allowable characters is 17 positions and cannot equal all zeroes or all blanks. The depositor account number must be left justified with trailing blanks if less than 17 positions. This field cannot contain leading or embedded spaces. **Leave this field blank, no zeroes, if there is no direct deposit election.**

Type of Account

This field consists of alpha characters and is a required field. The field indicates if the account is a checking or savings account. The values are "X" or blank. If the routing transit number is significant, then the checking account indicator or savings account indicator must equal "X." Both fields cannot equal "X."

When direct deposit information is present, the following fields **must** be significant: Routing Transit Number (RTN), Checking Account Indicator or Savings Account Indicator, and Depositor Account Number.

CHAPTER 8

WHAT'S NEW FOR TAX YEAR 2009?

- Due to changes in the electronic banking rules, North Carolina Department of Revenue will no longer allow direct deposits to or through foreign financial institutions. If you use a foreign financial institution you will be issued a paper check.
Special instructions: For both products, professional and online (if applicable), NCDOR would like for the software developers to prompt the user to answer the question, "Is this refund going to or through an account that is located outside the United States"? If the response is yes, do not allow transmission of the direct deposit banking information.
- "A significant number of refund checks (and other correspondences) are being misdirected due to missing apartment-number information. If your software has a separate field for apartment number, please be sure to append that number (e.g. "Apt 12345") at the end of the Address Line 2 (#0080) field. If your software does NOT have a separate field for apartment number, please add some form of message to your software to remind the user to include their apartment number, if applicable."
- Libertarian has been removed from the N.C. Political Parties Financing Fund section.
- This section was added to impose surtax on a taxpayer's North Carolina individual income tax as computed under G.S. 105-134.2. The surtax is due if North Carolina taxable income is greater than the amount shown below for the taxpayer's filing status:

Married filing jointly/qualifying widow(er)	\$100,000
Head of household	\$80,000
Single	\$60,000
Married filing separately	\$50,000

The surtax is in addition to the income tax imposed by G.S. 105-134.2 and is computed by multiplying North Carolina income tax by the applicable percentage shown in the table below.

Surtax Percentage Table

<u>Filing Status</u>	<u>NC Taxable Income</u>	<u>Applicable Percentage</u>
Married Filing Jointly/ Qualifying Widow(er)	Greater than \$100,000 but does not exceed \$250,000	2%
	Greater than \$250,000	3%
Head of Household	Greater than \$80,000 but does not exceed \$200,000	2%
	Greater than \$200,000	3%
Single	Greater than \$60,000 but does not exceed \$150,000	2%
	Greater than \$150,000	3%
Married Filing Separately	Greater than \$50,000 but does not exceed \$125,000	2%
	Greater than \$125,000	3%

Notwithstanding G.S. 105-163.15, no addition to tax may be made for tax years beginning on or after January 1, 2009 and before January 1, 2011, with respect to an underpayment of income tax to the extent the underpayment was created or increased by the surtax.

(Effective for taxable years beginning on or after January 1, 2009 and expires for taxable years beginning on or after January 1, 2011; SB 202, ss. 27A.1.(b) and (c); S.L. 09-451.)

- **Future Deduction for Bonus Depreciation Add-Back:** This subdivision was amended to provide a deduction from future income tax returns for the 50% additional first-year depreciation deduction required to be added to federal taxable income under G.S. 105-134.6(c)(8a). A taxpayer may deduct 20% of the total amount of bonus depreciation added to federal taxable income in taxable year 2008 in each of the first five taxable years beginning on or after January 1, 2009. For taxpayers who made the addition for bonus depreciation on their 2009 returns, the deduction applies to the first five taxable years beginning on or after January 1, 2010.

(Effective for taxable years beginning on or after January 1, 2009; SB 202, s. 27A.6. (e), S.L. 09-451.)

- **Future Deduction for Deferred Income Add-Back:** Under the American Recovery and Reinvestment Act of 2009, P.L. 111-5, certain taxpayers may elect to defer reporting income from cancellation of debt in the current year and instead report the income ratably over a five-year period beginning in 2014. The General Assembly chose not to adopt this provision of federal law. Instead, G.S. 105-134.6(c)(13) requires an addition to federal taxable income in 2009 and 2010 for any amount of the income that was deferred.

This section was added to provide a future deduction from federal taxable income for the amount of income that was deferred under IRC section 108(i)(1). If the deferred income is added back on the 2009 or 2010 return, the deduction on the State return is allowed ratably over a five-year period beginning in 2014.

(Effective for taxable years beginning on or after January 1, 2009; SB 202, s. 27A.6. (e), S.L. 09-451.)

- **Bonus Depreciation Add-Back:** The 2008 General Assembly added this subdivision to require a taxpayer to add to federal taxable income a percentage of the 50% first-year bonus depreciation deduction allowed for federal income tax purposes under §168(k) of the Internal Revenue Code under the Economic Stimulus Act of 2008. The applicable percentage is 85% of the bonus depreciation for the tax year 2008. Any taxpayer who claimed the bonus depreciation for federal purposes for the tax year 2007 and whose North Carolina return also reflected that deduction must also add back 85% of the deduction claimed for the tax year 2007 on the 2008 tax return.

The subdivision was amended during the 2009 Session of the General Assembly to extend the provision to include property placed in service before January 1, 2010. Additionally, a taxpayer must add to federal taxable income 85% of the 50% additional depreciation permitted pursuant to IRC §168(n) under the Emergency Economic Stabilization Act of 2008. The provision also applies to property placed in service after December 31, 2007, but before January 1, 2010. Any taxpayer who claimed a §168(n) deduction for federal purposes on a 2008 return and whose North Carolina return also

reflected that deduction must add back 85% of the deduction claimed for the tax year 2008 on the 2009 return.

The adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes.

(Effective for taxable years beginning on or after January 1, 2009; SB 202, s. 27A.6.(f), S.L. 09-451.)

- **Real Property Tax Add-Back by Nonitemizers:** This subdivision was added by the 2009 General Assembly to require a taxpayer to add to federal taxable income the additional real property tax deduction claimed by a taxpayer under IRC section 63(c)(1)(C). This section of the Code allows a taxpayer who claims the standard deduction to claim an additional deduction for real property taxes paid.
- (Effective for taxable years beginning on or after January 1, 2009; SB 202, s. 27A.6. (f), S.L. 09-451.)
- **Motor Vehicle Sales Tax Add-Back:** The American Recovery and Reinvestment Act of 2009, P.L. 111-5, allows taxpayers to claim a deduction for the sales or excise taxes paid for the purchase of new motor vehicles made on or after February 17, 2009 and before January 1, 2010. The deduction is allowable as an addition to the federal standard deduction under IRC section 63(c)(1)(E) or as an itemized deduction under section 164(a)(6).

The General Assembly chose not to adopt this provision of federal law. Therefore, this subdivision was added to require an addition to federal taxable income for the motor vehicle sales and excises taxes deducted for federal income tax purposes under IRC sections 63(c)(1)(E) or 164(a)(6).

(Effective for taxable years beginning on or after January 1, 2009; SB 202, s. 27A.6.(f), S.L. 09-451.)

- **Addition to Federal Taxable Income for Amounts Excluded as Deferred Income:** Generally, when a debt is settled for less than the amount owed, cancellation of indebtedness income is realized by the debtor and must be included in the debtor's federal gross income. However, the American Recovery and Reinvestment Act of 2009, P.L. 111-5, allows certain taxpayers to elect to recognize cancellation of indebtedness income ratably over five years beginning in 2014, for specified types of debt repurchased by a business after December 31, 2008 and before January 1, 2011.

The General Assembly chose not to follow this provision of federal law. Therefore, this subdivision was added to require an addition to federal taxable income for the amount of income deferred under IRC section 108(i)(1) from the cancellation of indebtedness in connection with reacquisition of an applicable debt instrument. However, G.S. 105-134.6(b)(20) was added to provide a future deduction from federal taxable income for the deferred income added back on the 2009 or 2010 return. The deduction on the State return is allowed ratably over a five-year period beginning in 2014.

(Effective for taxable years beginning on or after January 1, 2009; SB 202, s. 27A.6.(f), S.L. 09-451.)

- **Add-Back of Deduction for Original Issue Discount on an Applicable High Yield Discount Obligation:** The American Recovery and Reinvestment Act of 2009, P.L. 111-5, includes a provision suspending the rules for the applicable high yield debt obligation (AHYDO) under IRC section 163(e)(5)(F) for certain debts issued after September 30, 2008 and before January 1, 2010. As a result, corporate and certain partnership debt that would have otherwise created deferred or non-deductible interest will instead provide immediate tax deductions to the issuer under general interest deductibility principles.

The General Assembly chose not to follow this provision of the Act. Therefore, an addition to federal taxable income is required for the amount deducted on the federal return.

(Effective for taxable years beginning on or after January 1, 2009; SB 202, s. 27A.6.(f), S.L. 09-451.)

- **Credit for Certain Real Property Donations:** This section was amended to clarify that the credit allowed to individuals and pass-through entities for qualifying donations of real property applies to donations made during the taxable year.

(Effective August 7, 2009; SB 509, ss. 9.(d) and (e), S.L. 09-445.)

- **Credit for Qualifying Expenses of a Production Company:** This section has been amended to allow a taxpayer that is a production company and has qualifying expenses of at least two hundred fifty thousand dollars (\$250,000) with respect to a production, an alternative credit in lieu of the credit allowed under subsection (b) of this section.

Subsection (b) allows a credit equal to 15% of the production company's qualifying expenses incurred with respect to the production. The alternative credit added in subsection (b1) allows a credit equal to 25% of the production company's qualifying expenses less the difference between the amount of tax paid on purchases subject to tax under G.S. 105.187.51 and the amount of sales and use tax that would have been due had the purchases been subject to the sales and use tax at the combined rate under G.S. 105-164.3. A taxpayer must elect to claim the credit allowed under subsection (b) or subsection (b1) at the time the return on which the credit is claimed is filed. The election is binding.

The alternative credit allowed by subsection (b1) is effective for taxable years beginning on or after January 1, 2010, and applies to qualifying expenses occurring on or after that date.

(Effective for tax years beginning on or after January 1, 2010; SB 943, ss. 2 and 3, S.L. 09-529.)

- **Refundable Earned Income Tax Credit Increased:** This section, which was added by the 2007 General Assembly, provided a refundable earned income tax credit

equal to 3.5% of the federal earned income tax credit under Section 32 of the Internal Revenue Code. The credit was effective for tax years beginning on or after January 1, 2008.

(Effective for taxable years beginning on or after January 1, 2008, and expires for taxable years beginning on or after January 1, 2013; HB 1473, ss. 31.4(a) and (b); S.L. 07-323.)

This section was subsequently amended by the 2008 Session Laws to increase the earned income tax credit from 3.5% to 5% of the amount of credit the individual qualified for under section 32 of the Code. This change is effective for taxable years beginning on or after January 1, 2009.

(Effective for taxable years beginning on or after January 1, 2009; HB 2436, s. 28.9.(a), S.L. 08-107.)

- **Tax Credits for Qualified Business Investments Clarifying Changes:** These subdivisions were rewritten to clarify that the maximum tax credit for investments made in a single tax year cannot exceed \$50,000 and that any amount of credit exceeding the \$50,000 limit is not considered “unused” credit for purposes of carryover provisions of the credit.

(Effective for tax years beginning on or after January 1, 2009; SB 509, ss. 9(a) and (b), S.L. 09-445.)

- The personal exemption adjustment increased from \$1,000 to \$1150 per exemption for taxpayers whose adjusted gross income is less than \$100,000 if married filing joint/qualifying widow (er); \$80,000 if head of household; \$60,000 if single; and \$50,000 if married filing separately. For taxpayers with an adjusted gross income exceeding the above limits, the personal exemption adjustment increased from \$1500 to \$1650 per exemption.
- Developers are no longer required to provide a copy of the software or ‘URL’ unless requested. If requested, developers must provide a copy of the software or ‘URL’ within 5 business days from the date of request.
- The Department has the discretion to request a copy of your company’s software or the ‘url’ of your online software, if deemed necessary. If requested, a copy of the software or the URL must be submitted within 5 business days from the date of request. The software or URL will be used for researching computation errors or other variable data errors based on taxpayers inquiries. Under no circumstances will the software or URL be used by the Department to prepare or submit tax returns for processing. The Department has put reasonable security measures in place in an effort to prohibit unauthorized access and improper or illegal usage of your software product or URL by Departmental employees.
- Notify the Department, customers, and clients immediately if computation errors or other variable data errors are found. Indicate to the Department how and when the errors will be corrected within 3 business days of discovery. Correct errors and provide the Department with satisfactory evidence, within 10 business days of discovery, that the company has corrected the errors and has notified customers and clients of the corrections. Software developers who do not comply with this requirement are subject to having their approval revoked and their company placed on the Department’s website for public viewing for a reasonable period of time. Once revoked, the Department will no longer accept any returns filed electronically using the software product until the developer becomes compliant.
- E-File options contact information has been added. This contact information is for companies that would like to participate in our Free File, Low Cost, or Spanish Language e-file options.
- Additional reject codes have been added
- The multiplier changed from .3333 to .6666 on the Personal Exemption Adjustment Worksheet.

Reminders

- **Important: Please verify taxpayer's current mailing address. If taxpayer (client) anticipates moving before refund check is received, it is important for them to call NCDOR at (877) 252-3052 to correct address.**
- **Important: In-correct banking information will delay refund. Therefore, please verify banking information is correct.**
- A taxpayer does **not** have to submit any supporting documentation for an e-filed return for the following: Bailey settlement deduction, other deductions from federal taxable income, other additions to federal taxable income, 1099s, tax credit for taxes paid to another state or country, etc. The Department will contact the taxpayer if any supporting documentation is needed.
- Taxpayers are required to submit Form NC-478 and/or Forms NC-478A thru L if a business incentive or energy tax credit is claimed on an e-filed return. All Forms NC-478 and series A thru L should be mailed to the North Carolina Department of Revenue, P O Box 25000, Raleigh NC 27640-0500 within 48 hours after submitting the electronic individual income tax return. Individual income tax credits associated with Form NC-478 and series A thru L include but are not limited to:
 - Credit for investing in machinery and equipment
 - Credit for creating jobs
 - Credit for research and development
 - Credit for worker training
 - Credit for investing in central office or aircraft facility property
 - Credit for technology commercialization
 - Credit for development zone projects
 - Credit for nonhazardous dry-cleaning equipment
 - Credit for investing in low-income housing
 - Credit for use of North Carolina ports
 - Credit for investing in renewable energy property
- Taxpayers are required to submit Form NC K-1 to the NCDOR for an e-filed return if the return shows tax payments from a partnership or S corporation. The form(s) should be mailed to the North Carolina Department of Revenue, P O Box 25000, Raleigh NC 27640-0001 within 48 hours after submitting the electronic individual income tax return.
- The North Carolina direct deposit **should not be connected to RALs or Bonus Checks(G.S. 143.3-Prohibits RAL on State Refund).** The NC direct deposit is a true direct deposit, which requires a checking or savings account number and a routing transit number from the taxpayer that can show acceptable proof-of-account of their designated financial institution. RAL accounts are temporary accounts and in some instances, deposits cannot be made before these accounts are closed.
- Reject codes and errors should be displayed on the acknowledgment provided to the taxpayer and/or tax preparer. The acknowledgment should not state, "Contact the NCDOR for reject code information."
- Executor name is no longer required for deceased taxpayers.
- NCDOR is requesting that all online filers provide an IP address.

CHAPTER 9

Reject Errors and Codes

The NCDOR will reject returns for the 2009 tax season. The following reject errors and reject codes should be displayed on the North Carolina acknowledgment record.

- 9000 Duplicate return.
- 9001 If the filing status is other than Married Filing Jointly, only the primary taxpayer name and SSN must be present.
- 9002 The Primary SSN cannot be blank or zero and must be valid.
- 9003 If the filing status is Married Filing Jointly, the spouse SSN and spouse name must be present and the SSN must be valid.
- 9004* If either a taxpayer or spouse (if MFJ) is not a full-year resident, then line 54 cannot be blank.
- 9005 When line 6 of the D-400TC is greater than zero, then all of lines 1 through 4 of the D-400TC cannot be blank or zero and line 7b must equal one.
- 9006 The sum of D-400TC lines 7a, 15, and 18 must equal line 19 of the D-400TC.
- 9007* If both taxpayer and spouse (if MFJ) are full-year residents, D-400TC line 16 must equal D400TC line 18, and D-400TC line 17 must be zero or blank. If either taxpayer or spouse (if MFJ) is not a full-year resident, both D-400TC line 17 and D-400TC line 18 must equal D-400TC line 16 multiplied by D-400 line 12(or multiplied by 1.0000 if D-400 line 12 is greater than 1.0000).
- 9008 When the filing status equals Single and the AGI is greater than or equal to \$60,000 or Married Filing Jointly and the AGI is greater than or equal to \$100,000 or Married Filing Separately and the AGI is greater than or equal to \$50,000 or Head of Household and the AGI is greater than or equal to \$80,000 or Qualifying Widow (er) with Dependent Child and the AGI is greater than or equal to \$100,000 on the D-400, then lines 16 through 18 of the D-400TC must be zero or blank.
- 9009* If a taxpayer and spouse (if MFJ) are full-year residents, D-400TC line 13 must equal D-400TC line 15, and D-400TC line 14 must be zero or blank. If either taxpayer or spouse (if MFJ) is not a full-year resident, both D-400TC line 14 and D-400TC line 15 must equal D-400TC line 13 multiplied by D-400 line 12(or multiplied by 1.0000 if D-400 line 12 is greater than 1.0000).

- 9010* When line 20 of the D-400 is less than line 24, then lines 25a and 25b must be blank or zero.
- 9011* The sum of lines 21a through 23 must equal line 24 of the D-400.
- 9012* When line 20 of the D-400 is more than line 24, then line 20 minus line 24 must equal line 25a.
- 9013* When line 20 of the D-400 is more than line 24, then lines 27 through 31 must be blank or zero.
- 9014 An amount must be present on line 6 of the D-400, either positive, negative or zero.
- 9015 Line 6 plus line 7 must equal line 8 and line 8 minus line 9 must equal line 10 of the D-400. (Note: Lines 7 and 9 can be positive or zero and lines 6, 8 and 10 can be positive, negative or zero.)
- 9016* If either a taxpayer or spouse (if MFJ) is not a full-year resident, then all of lines 54 through 56 of the D-400 cannot be blank or zero and line 12 must equal line 56.
- 9017 Lines 10 and 11 of the D-400 must equal.
- 9018* Line 17 of the D-400 must equal line 36 of the D-400TC.
- 9019* Line 16 minus line 17 must equal line 18 of the D-400.
- 9020* Line 18 plus line 19 must equal line 20 of the D-400.
- 9021* An amount must be present on line 33 of the D-400, either positive or zero.
- 9022* Line 36 must equal the lesser of lines 34 or 35 of the D-400.
- 9023 An amount must be present for Federal Adjusted Gross Income on the D-400, either positive, negative, or zero.
- 9024 The residency status of the taxpayer and spouse (if MFJ) must be present.
- 9025 A filing status must be present.
- 9026* Line 54 of the D-400 divided by line 55 must equal line 56 rounded to four decimal places.
- 9027* When an amount is present on line 54 of the D-400, an amount must be on line 55.

- 9028 If a taxpayer is a part-year resident, the beginning and ending dates of residency must be present. If the spouse is a part-year resident, the beginning and ending dates of residency must be present.
- 9029 Line 2 of the D-400TC divided by line 1 of the D-400TC must equal line 3 of the D-400TC rounded to four decimal places.
- 9030* Line 4 of the D-400TC must equal line 16 of the D-400.
- 9031 Line 3 of the D-400TC multiplied by line 4 of the D-400TC must equal line 5 of the D-400TC.
- 9032 Line 7a of the D-400TC must be equal to the lesser of line 5 or line 6 of the D-400TC.
- 9033 Line 9 of the D-400TC must be less than or equal to line 8 of the D-400TC.
- 9034 Line 11 of the D-400TC must equal line 8 minus line 9 of the D-400TC.
- 9035 Line 32 of the D-400TC must equal the total of lines 19, 20b, 21, 22, 23, 24, 25, 26b, 27b, 28b, 29b, 30, and 31 of the D-400TC.
- 9036 Line 34 of the D-400TC must be equal to the lesser of lines 32 and 33. Also, the sum of lines 34 and 35 must equal line 36 of the D-400TC.
- 9037 When line 33 of the D-400TC is blank, then line 36 of the D-400TC must be blank.
- 9038* When line 32 or line 35 of the D-400TC is greater than zero, then line 33 of the D-400TC must equal line 16 of the D-400.
- 9039 The NC Public Campaign Fund election for the taxpayer or spouse (if MFJ) or both is not valid.
- 9040 The NC Political Party Financing Fund election for the taxpayer or spouse (if MFJ) or both is not valid.
- 9041* Line 7 of the D-400 must equal line 42 of the D-400.
- 9042* Line 9 of the D-400 must equal line 53 of the D-400.
- 9043* If a taxpayer and spouse (if MFJ) are full-year residents, then line 11 of the D-400 must equal line 13 and all of lines 12 and 54 through 56 of the D-400 must be blank.

- 9044 If either a taxpayer or spouse (if MFJ) is not a full-year resident, then line 11 of the D-400 multiplied by line 12 must equal line 13.
- 9045 If line 13 of the D-400 is greater than or equal to \$10, then an amount must be present on line 14 of the D-400.
- 9046* If the filing status is not Married Filing Jointly, then line 21b of the D-400 (spouse withholding) must be blank or zero.
- 9047 The indicator denoting an exception to underpayment of estimated income tax is not valid on the D-400.
- 9048* When line 20 of the D-400 is more than line 24, then the sum of lines 25a through 25c must equal line 26.
- 9049* When line 20 of the D-400 is less than line 24, then line 24 minus lines 20 and 25c must equal line 27 if the result is greater than zero.
- 9050* When line 20 of the D-400 is less than line 24, then line 24 minus lines 20 and 25c must equal line 26 if the result is less than zero.
- 9051* Line 28 of the D-400 plus line 29 must equal line 30.
- 9052* Line 30 of the D-400 must be less than or equal to line 27.
- 9053* Line 27 of the D-400 minus line 30 must equal line 31.
- 9054* Line 32 of the D-400 minus line 33 must equal line 34. (Note: Line 34 cannot be less than zero.)
- 9055* The sum of lines 36 through 41 of the D-400 must equal line 42.
- 9056* The sum of lines 43 through 52 of the D-400 must equal line 53.
- 9057 If line 7b of the D-400TC is greater than one, then lines 1 through 6 of the D-400TC must be blank.
- 9058 Line 10 of the D-400TC plus line 12 of the D-400TC must equal line 13 of the D-400TC.
- 9059 When line 20b of the D-400TC is greater than zero, then line 20a cannot be blank or zero.

- 9060 When line 28b of the D-400TC is greater than zero, then line 28a cannot be blank or zero.
- 9061 ~~When line 29b of the D-400TC is greater than zero, then line 29a cannot be blank or zero. Deleted~~
- 9062 ~~When line 26b of the D-400TC is greater than zero, then line 26a cannot be blank or zero. Deleted~~
- 9063 ~~When line 27b of the D-400TC is greater than zero, then line 27a cannot be blank or zero. Deleted~~
- 9064* Line 36 of the D-400TC must be less than or equal to line 16 of the D-400.
- 9065 The part-year resident dates for the taxpayer or spouse (if MFJ) or both are not valid dates.
- 9066 If a taxpayer and spouse (if MFJ) are full-year residents, then the nonresident indicators, part-year resident indicators, and part-year resident dates for the taxpayer and spouse (if MFJ) must be blank.
- 9067 If a taxpayer is not a full-year resident, then either the nonresident indicator or the part-year resident indicator and not both must be present. If the filing status is MFJ and the spouse is not a full-year resident, then either the spouse nonresident indicator or the spouse part-year resident indicator and not both must be present.
- 9068 If a taxpayer is a nonresident for the entire year, then the part-year resident dates should be blank. If the filing status is MFJ and the spouse is a nonresident for the entire year, then the spouse part-year resident dates should be blank.
- 9069 The part-year resident indicator for the taxpayer or spouse (if MFJ) or both is not valid.
- 9070 The nonresident indicator for the taxpayer or spouse (if MFJ) or both is not valid.
- 9071 The date of death for the taxpayer or spouse (if MFJ) or both is not valid.
- 9072* Line 19 cannot be less than zero.
- 9073 A numeric field contains invalid data.
- 9074 The software used has not been approved for e-file.

- 9075 If the taxpayer or spouse is deceased, then a corresponding date of death must be present. If the taxpayer or spouse is not deceased, then the corresponding date of death must be blank.
- 9076 The deceased indicator for the taxpayer or spouse (if MFJ) or both is not valid.
- 9077* If a taxpayer and spouse (if MFJ) are full-year residents, D-400 line 23 must equal D-400TC line 38, and D-400TC line 39 must be zero or blank.
- 9078* If either taxpayer or spouse(if MFJ) is not a full-year resident, both D-400 line 23 and D-400TC line 39 must equal D-400TC line 38 multiplied by D-400 line 12 (or multiplied by 1.0000 if D-400 line 12 is greater than 1.0000).
- 9079* D-400TC line 38 must equal D-400TC line 37 multiplied by 5%(0.05).
- 9080** When the filing status equals Single and D-400 line 13 is greater than \$60,000 or Married Filing Jointly and D-400 line 13 is greater than \$100,000 or Married Filing Separately and D-400 line 13 is greater than \$50,000 or Head of Household and D-400 line 13 is greater than \$80,000 or Qualifying Widow (er) with Dependent Child and D-400 line 13 is greater than \$100,000, then line 15 of the D-400 cannot be zero or blank.
- 9081** The sum of lines 14 and 15 must equal line 16 of the D-400.
- 9082** Lines 7, 9, 12, 14 through 53, and 56 of the D-400 cannot be a negative.
- 9083** Lines 2 through line 39 of the D-400TC cannot be a negative.
- 9084** If an amount is present on line 37 of the D-400TC, then a number must be present for the number of qualifying children, either positive or zero.
- 9085** If International ACH Transaction indicator is marked yes, then the State Direct Deposit indicator and banking information must be blank.

* = Revised

** = New

CHAPTER 10

HELPFUL TIPS

This section lists tips to help you avoid the errors that were found in 2006 test and production e-filed returns.

- ☹ Clearly define in your software how to enter and transmit a State Only return.
- ☹ The most common error found during testing was the formatting of the Federal Adjusted Gross Income.
- ☹ **"A significant number of refund checks (and other correspondences) are being misdirected due to missing apartment-number information. If your software has a separate field for apartment number, please be sure to append that number (e.g. Apt 12345) at the end of the Address Line 2 (#0080) field. If your software does NOT have a separate field for apartment number, please add some form of message to your software to remind the user to include their apartment number, if applicable."**
- ☹ Use of a Paid Tax Preparer field (IRS field 0305a) was not completed. **Required field.**
- ☹ As specified in Chapter 12 of this handbook, a complete copy of the federal return **must** be included in the unformatted state record. See Chapter 12 for further details about the federal data and the unformatted state record.
- ☹ Do **not** allow a social security number in the spouse field if the filing status is not MFJ.
- ☹ Your software **must** comply with the edits and crosschecks in Chapter 11 of this handbook and the field description requirements in the North Carolina generic record layout.
- ☹ A negative sign (-) should **not** appear on line 17, Total Tax Credits. There should never be a negative tax credit.
- ☹ Do not allow Mr., Mrs., or Miss in the taxpayer name fields.
- ☹ Do not allow an amount to be entered on Line 17 of Form D-400 unless the Form D-400TC has been completed and is present.
- ☺ Please respond in a timely manner when we make you aware of problems with your software.
- ☺ Watch for fields that require you to right-justify, left-justify, or zero-fill.
- ☺ Please **regression test** after making changes and corrections to your software packet during production.
- ☺ **Remember:** You must complete the Forms testing process in order to get your software approved to allow for paper filing.
- ☺ To assist in the PATS testing process, it may be helpful to have a person on staff that is familiar with tax law assisting the programmer.
- ☺ Acknowledgments should be sent to the transmitters on a timely basis.
- ☺ Form NC-8633, Application to participate in the Electronic Filing Program, is **not** needed to participate in the North Carolina Fed/State cooperative program. A new or revised federal application should **not** be submitted.
- ☺ Clearly state in your software packet that amended returns should be submitted on Form D-400X. Taxpayers should not mail a copy of a corrected D-400.
- ☺ Miscellaneous lines on Form D-400TC (i.e. Part I, Line 4) should not be populated unless the taxpayer is claiming a tax credit(s) and the D-400TC is required.

CHAPTER 11

SOFTWARE EDITS & CROSS-CHECKS

Edits for Form D-400:

1. The primary taxpayer and spouse social security numbers must be numeric. "NRA" (non-resident alien) and "applied for" are not allowed.
2. The filing status claimed on lines 1 through 5 must match the filing status claimed on the federal return for a Federal/State return.
3. The filing status claimed on lines 1 through 5 **will not** match the filing status claimed on the federal return for a **State Only return**.
4. If the filing status is 2, the name and social security numbers for **both** the primary taxpayer and the spouse must be entered.
5. The number of exemptions claimed on the State return must match the number of exemptions listed on line 6d of Federal Form 1040 or line 6d of Federal Form 1040A. If Federal Form 1040EZ is filed, the number of exemptions must equal 0, 1, or 2.
6. The Federal Adjusted Gross Income from the federal return Form 1040, line 37; Form 1040A, line 21; or Form 1040EZ, line 4, must be present. **Note: This edit is vital to the processing of the North Carolina e-file return. It should be displayed in IRS field 0305j and must be present on every return.**
7. If the State return has a domestic address, the following IRS fields must be present: field #0075, #0085, #0095 and #0100.
8. If the State return has a foreign address, the following IRS fields must be present: field #0077, #0087, and #0098.
9. The percentage computations on Form D-400 lines 12 and 56 and Form D-400TC line 3 should be rounded to four decimal points.
10. INCOME (D-400, Page 1)
 - A. Line 8 is the sum of lines 6 and 7.
 - B. Line 10 is line 8 minus line 9.
 - C. Full-year residents must enter the amount from line 11 on line 13. Part-year residents and nonresidents must multiply the amount on line 11 by line 12 and enter the result on line 13.
 - D. Line 12 must equal line 56.

11. ADDITIONS TO FEDERAL TAXABLE INCOME (D-400, Page 3)

- A. Line 32 must match the itemized or standard deduction on line 40a of Federal Form 1040 or line 24a of Federal Form 1040A. For 1040EZ Single filers, enter the lesser of \$5,700 or the amount from line 5 of Federal Form 1040EZ. For 1040EZ Married Filing Jointly filers, enter the lesser of \$11,400 or the amount from line 5 of Federal Form 1040EZ.
- B. Line 34 is line 33 minus line 32. The amount on line 34 cannot be less than zero.
- C. Line 35 is the amount of State and local taxes from line 5 of Federal Schedule A and any foreign income taxes included on line 8 of Federal Schedule A. **Important: Taxpayers required to complete the Federal “Itemized Deductions Worksheet” must complete the “State Tax Adjustment Worksheet” to determine the amount to enter on line 35.**
- D. If a taxpayer itemized deductions, line 36 is the lesser of line 34 or line 35. If a taxpayer claimed the standard deduction, line 36 is the same as line 34 and line 35 should be blank.
- E. Line 37 must equal the number of exemptions claimed multiplied by \$1150 if the taxpayer’s federal adjusted gross income does not exceed the amounts listed for their filing status. For 1040EZ Single filers, enter zero if the taxpayer can be claimed as a dependent or enter \$1150 if the taxpayer cannot be claimed as a dependent. For 1040EZ Married Filing Jointly filers enter zero if both spouses can be claimed as a dependent; enter \$1150 if only one spouse can be claimed as a dependent; or enter \$2,300 if neither spouse can be claimed as a dependent.

Line 37 must equal the number of exemptions claimed multiplied by \$1650 if the taxpayer’s federal adjusted gross income exceeds the amounts listed for their filing status. **Important: Taxpayers required to complete the Federal “Deduction for Exemptions Worksheet” must complete the State “Personal Exemption Adjustment Worksheet” to determine the amount to enter on line 37.**
- F. Line 42 is the sum of lines 36 through 41. **Line 7 must equal line 42.**

12. DEDUCTIONS FROM FEDERAL TAXABLE INCOME (D-400, Page 3)

- A. Line 43 must match the state or local income tax refund on line 10 of Federal Form 1040.
- B. Line 44 Interest income from obligations of the United States or United States’ possessions.
- C. Line 45 must equal the taxable portion of social security and railroad retirement benefits included on Federal Form 1040, line 20b or Form 1040A, line 14b.
- D. Line 46 must not exceed \$4000 for each taxpayer. The filing status must equal 2 to exceed \$4000. The maximum amount for line 45 cannot exceed \$8000. Line 45 must equal line 4 of the State “Retirement Benefits Worksheet.”

- E. Line 53 is the sum of lines 43 through 52. **Line 9 must equal line 53.**
13. COMPUTATION OF NC TAXABLE INCOME FOR PART-YEAR RESIDENTS AND NONRESIDENTS (D-400, Page 4)
- A. Line 56 must equal line 54 divided by line 55.
- B. If the taxpayer and/or spouse is a part-year resident of North Carolina, the beginning and ending dates of residency are required.
14. NORTH CAROLINA INCOME TAX (D-400, Page 2)
- A. Line 10 must equal line 11.
- B. Line 14 must equal the North Carolina Tax Table if taxable income on line 13 is less than \$68,000. If line 13 is \$68,000 or greater, you must use the Tax Rate Schedule to calculate the tax.
15. SURTAX- If North Carolina Taxable Income, Line 13 exceeds \$50,000, see instructions on Page 28 to determine the amount to enter here on line 15.
16. TOTAL NORTH CAROLINA INCOME TAX
- A. Line 16 is the sum of lines 14 and line 15.
17. TAXES PAID (D-400, Page 2)
- A. The filing status must be 2 to enter an amount on line 21b.
- B. Line 24 is the sum of lines 21a, 21b, 22a, 22b, 22c, 22d and 23.
- C. Line 17 must equal the amount entered on Form D-400TC, Part 4, line 36.
- D. Line 18 is line 16 minus line 17.
- E. Line 20 is the sum of line 18 and line 19.
- F. Line 26 is the sum of lines 25a, 25b and 25c.
18. OVERPAYMENTS (D-400, Page 2)
- A. Line 27 is line 24 minus line 20 and any amount on line 25c. If the result is less than zero, the return is a balance due return and line 26 will be blank.
- B. Line 30 is the sum of line 28 and line 29.
- C. Line 31 is line 27 minus line 30.
19. TAX DUE (D-400, Page 2)

- A. Line 25a is line 20 minus line 24. If the result is less than zero, the return is an overpayment and line 25a will be blank.

Edits for Form D-400TC:

1. PART 1 - CREDIT FOR INCOME TAX PAID TO ANOTHER STATE OR COUNTRY -- NC RESIDENTS ONLY (D-400TC, Page 1)
 - A. Line 1 must equal Federal Form 1040, line 22; 1040A, line 15; or 1040EZ, line 4, while a resident of NC adjusted by the applicable additions shown on lines 38 through 41 and/or deductions shown on lines 43 through 52 of Form D-400.
 - B. Line 3 is line 2 divided by line 1, rounded to **four** decimal places.
 - C. Line 4 must equal Form D-400, line 16.
 - D. Line 5 is line 3 multiplied by line 4.
 - E. Line 7a is the lesser of line 5 and line 6. Include in the total on Part 4, line 19.
 - F. Line 7b must equal the number of states for which credits are claimed.
 - G. Important: If a credit is claimed for tax paid to more than one state or country; do not complete lines 1 through 6 of Part 1. Instead, see the instructions and the Out-of-State Tax Credit Worksheet on Page 13 of the 2009 Individual Income Tax Instruction Booklet.
2. PART 2 - CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES (D-400TC, Page 1)
 - A. Line 9 must equal the portion of line 8 that was incurred for dependent(s) under the age of seven and dependent(s) incapable of caring for themselves.
 - B. Line 10 is line 9 multiplied by the applicable decimal amount in Column A of the Child and Dependent Care Credit Table.
 - C. Line 11 is line 8 minus line 9.
 - D. Line 12 is line 11 multiplied by the applicable decimal amount in Column B of the Child and Dependent Care Credit Table.
 - E. Line 13 is the sum of line 10 and line 12. Full-year residents must also enter the amount from line 13 on line 15.
 - F. Line 14 is for nonresidents and part-year residents to multiply the amount on line 13 by the decimal amount from line 12 of Form D-400. The result must also be entered on line 15. If line 12 of Form D-400 is more than 1.0000, enter the amount from line 13 here and on line 15.

- G. Line 15 is the total Credit for Child and Dependent Care Expenses from line 13 or line 14. Include this amount on line 19, Part 4.

3. PART 3 - CREDIT FOR CHILDREN (D-400TC, Page 2)

- A. Line 16 is \$100 multiplied by the number of children for whom a taxpayer is entitled to claim a federal tax credit. This credit can be claimed only if federal adjusted income is less than the amount shown for the filing status in the instruction booklet. **Important: This credit can be claimed only for a dependent child who was under 17 years of age on the last day of the tax year.**
- B. Line 17 is for nonresidents and part-year residents to multiply the amount on line 16 by the decimal amount on line 12 of Form D-400. The result must also be entered on line 18. If line 12 of Form D-400 is more than 1.0000, enter the amount from line 16 here and on line 18.
- C. Line 18 is the total Credit for Children and must equal line 16 for full-year residents or line 17 for nonresidents and part-year residents. Include this amount on line 19, Part 4.

4. PART 4 - OTHER TAX CREDITS (D-400TC, Page 2)

- A. Line 19 is the sum of lines 7a, 15, and 18.
- B. Line 20b is the credit for charitable contributions by nonitemizers. Complete the Worksheet for Determining Tax Credit for Charitable Contributions. Line 20a is the total amount of charitable contributions. **Important: Only taxpayers who claim the standard deduction on their federal return can claim this credit.**
- C. Line 21 is the Credit for long-term care insurance premiums. Complete the Worksheet for Determining Tax Credit for Premiums Paid on Long-term Care Insurance Contracts on page 14 of the instructions.
- D. Line 22 is the Credit for adoption expenses. Complete the Adoption Tax Credit Worksheet on page 14 of the instructions.
- E. Line 23 is the Credit for Qualified Business Investments **(See instructions on Page 15. You must attach a copy of the tax credit approval letter that you received from the Department of Revenue.)**
- F. Line 24 is the Credit for disabled taxpayer, dependent, or spouse **(Complete Form D-429, Worksheet for Determining the Credit for the Disabled Taxpayer, Dependent, or Spouse, and enter the amount from Line 13 or 14, whichever is applicable.)**
- G. Line 25 is the Credit for certain real property land donations **(See instructions on page 15.)**
- H. Line 26 is the Credit for rehabilitating an **income-producing historic structure**. Enter qualified rehabilitation expenditures on line 26a. Enter installment amount of credit on line 26b.

- I. Line 27 is the Credit for rehabilitating a **nonincome-producing historic structure**. Enter rehabilitation expenses on line 27a. Enter installment amount of credit on line 27b.
 - J. Line 28 is the Credit for rehabilitating an **income-producing historic mill facility**. Enter rehabilitation expenditures on line 28a. Enter amount of credit on line 28b.
 - K. Line 29 is the Credit for rehabilitating a **nonincome-producing historic mill facility**. Enter rehabilitation expenditures on line 29a. Enter installment amount of credit on line 29b.
 - L. Line 30 is Other Miscellaneous Income tax credits. Choose the applicable selection(s): Property Taxes on Farm Machinery, Gleaned Crops, Poultry Composting, Handicapped Dwelling Units, Conservation Tillage Equipment and Recycling Oyster Shells.
 - M. Line 31 is tax credits carried over from previous year, if any. Do not include any carryover of tax credits claimed on Form NC-478.
 - N. Line 32 is the sum of lines 19, 20b, 21, 22, 23, 24, 25, 26b, 27b, 28b, 29b, 30 and 31.
 - O. Line 33 is the amount of tax from Form D-400, line 16.
 - P. Line 34 is the lesser of line 32 or line 33.
 - Q. Line 35 is from Form NC-478, Business incentive and energy tax credits.
 - R. Line 36 is the sum of lines 34 and 35. Enter the amount here and on line 17, Form D-400. The amount on line 36 may not exceed the tax shown on Form D-400, line 16.
5. PART 5 – EARNED INCOME CREDIT- **NOT LIMITED TO AMOUNT OF TAX** (D400TC, page 2)
- A. Line 37 is the amount of federal earned income tax credit.
 - B. Line 38 is line 37 multiplied by 5 %(0.05).
 - C. Line 39 is line 38 multiplied by the decimal amount from Form D-400 line 12.

CHAPTER 12

NORTH CAROLINA RECORD LAYOUT

North Carolina Forms D-400 and D-400TC are the only North Carolina individual income tax returns that are accepted for electronic filing for tax year 2009. The record layout lists the data fields contained in the proposed IRS generic record. The Department of Revenue's designation of the data fields is listed below the IRS field description. All North Carolina data will be contained in the generic record for tax year 2009.

Please note the following items:

- The IRS convention of "sign trailing" will be used for all IRS numeric data fields. These money fields are 12 characters: 11 numeric characters must be right-justified and zero filled followed by a negative sign (-) if negative or by a blank () if positive.
- North Carolina has adopted the standards established by all states participating in the Federal/State Electronic Filing Program. However, North Carolina redefines the following IRS alphanumeric fields so that the entire North Carolina individual income tax return can be transmitted in the generic record format without using unformatted records:
 - IRS Field #0300b
 - IRS Field #0305For detailed information, please refer to the record layout attached.
- If a primary taxpayer and/or spouse elects to contribute to the NC Political Parties Financing Fund in the IRS fields #0305b and #0305c, each transmitted record **must** contain a valid code of '1', '2' or '3'. The codes represent the following: **1 – Democratic, 2 – Republican or 3 - Unspecified**. If no election is made, the field **must** be blank.
- If a primary taxpayer and/or spouse elects to contribute to the NC Public Campaign Fund in the IRS fields #0305k and #0305l, each transmitted record must contain a valid code of 'Y', 'N' or blank. If no election is made, the field must be blank.
- The generic record must be used to transmit North Carolina returns. Unformatted records containing state data will not be edited or processed.
- Only whole dollar amounts should be entered on North Carolina forms.
- If a paid tax preparer completed the return, the following fields must be present:
 - A 'Y' must be present in byte 1 of IRS field #0305a.
 - A paid preparer must include either his SSN or PTIN in IRS field #0050a and his EIN in IRS field #0050b, if applicable.
 - The name of the preparer, the preparer's firm name, street address, city, state and zip code must be included in IRS fields #0050c, #0050d, #0052b, #0052c, #0052d, #0052e, #0052f, and #0300b.
- Each transmitted record must contain a valid Software Developer Code in the IRS field #0300a. The developer must provide their ID to NCDOR during PATS testing.

- Each transmitted record must contain a valid ETIN in the IRS field #0023a. **Note: This is not the mailbox number, but the ETIN of the original transmitter.**
- All numeric fields must be complete using the specified number of bytes if filled. These fields should be right-justified and zero filled unless otherwise specified in the generic record layout.
- If a primary taxpayer and/or spouse has a tax credit for Other Miscellaneous Income tax credits in the IRS fields #0305m thru #0305q or #0305u, each transmitted record must contain a valid code of 'Y', 'N' or blank for each field where applicable. If no tax credit is present, the field must be blank. The codes represent the following:
 - Property Taxes on Farm Machinery
 - Gleaned Crops
 - Poultry Composting
 - Handicapped Dwelling Units
 - Conservation Tillage Equipment
 - Recycling Oyster Shells

FEDERAL DATA

A complete copy of the federal data must be supplied for **all** returns. The federal data should be placed in the unformatted state record. The federal data should be identical to the IRS data with the exception of four characters. For these characters, a state character should be substituted for the corresponding IRS value. The characters are as follows:

IRS Character	Substitution Character	ASCII HEX	EBCDIC HEX
****	!!!!	21212121	5A5A5A5A
[{	7B	C0
]	}	7D	D0
#	\$	24	5B

Each of the unformatted state records will provide 60 lines, each of which is 80 bytes in length. All 60 lines should be used before another unformatted state record is added. Any unused space within the 80-byte data line should be filled with blanks.

The federal data must be formatted using the IRS's formatting requirements for variable length records. NCDOR requires that the following federal forms should be submitted in the unformatted state record(s): 1040, 1040A, 1040EZ, Schedule A, Schedule C, Schedule D, Schedule E, Form 8839, Schedule EIC, Schedule D-1, Form 4972, Schedule F, Form 2106, Form 4562, Form 8829, Form 8863, 1099-R and W-2. If other federal forms are submitted, they will not be edited or processed by the NCDOR. The *IRS Summary Record, Preparer Note Record, Election Explanation Record, Regulatory Explanation Record, Authentication Record, and Foreign Employer Compensation Record (FEC) do not have to be placed in the unformatted state record. If they are included, they will not be edited or processed by the NCDOR.

NOTE: Each software package must comply with the conditions listed below. Failure to do so will affect the proper processing of taxpayer information submitted via the software. It will also affect the approval of the software.

- 1) If the *above noted records or statement records are included in the unformatted state record, they must be placed at the end of this record, i.e. after all tax returns, schedules and forms.
- 2) The following characters should not be placed in any field values in the state unformatted record:

\$! # { }

Note: THE '\$' AND '{ }' SHOULD NOT BE INCLUDED IN ANY OF THE COMMENT FIELDS ON ANY OF THE FEDERAL FORMS.

- 3) Do not split federal forms between unformatted records. If two or more unformatted records are required for a return, individual federal forms should not be divided between the two records, i.e. part of the form in one record and the remainder in the other record.
- 4) In the unformatted state record, do not include pages from federal forms that contain no field values.

NC Department of Revenue Generic Record Layout

Electronic Filing for Forms D-400 and D-400TC

October 2009

HEADER SECTION

Field #	Identification	Length	Description
	Byte Count	4	"2754" for fixed; "nnnn" for variable format
	Start of Record Sentinel	4	Value "****"
0000	Record ID Type	6	Value "STbbbb"
0001	Form Number	6	Value "0001bb"
0002	Page Number	5	Value "PG01b"
0003	Primary SSN	9	Numeric
0004	Filler	1	No entry/blank
0005	Form/Schedule Number	7	Value "0000001"

Field #	Identification	Length	Description
0010	State Code	2	Value "NC"
0011	City Code	2	No entry/blank
0015	Imperfect Return Indicator	1	Value "E" = Exception Processing or Blank
0016	ITIN/SSN Mismatch Indicator	1	Value "M" = Mismatch or Blank
0019	State-Only-Indicator	2	Value "SO" (State Only return data)
0020	Declaration Control Number	14	Numeric; Assigned by filer
	a. First Two Positions	2	Value always "00"
	b. EFIN of Originator	6	Numeric
	c. Batch Number	3	Numeric (000-999)
	d. Serial Number	2	Numeric (00-99)
	e. Year Digit	1	Value "0"
0023	Return Sequence Number	16	Numeric; Required Field
	a. ETIN of Transmitter	5	Must equal RSN in 1040, A, or EZ
	b. Trans Use Field	2	Numeric
	c. Julian Date of Tr	3	Numeric
	d. Trans Seq. Number	2	Numeric (01-99)
	e. Seq Number of Ret	4	Numeric (0001-9999)

STATE DIRECT DEPOSIT OR DIRECT DEBIT SECTION

Field #	Identification	Length	Description
0024	Direct Deposit/Debit Indicator	1	Numeric 1 = Direct Deposit Blank = No direct deposit
0025	Reserved-RTN-Flag	1	No entry/zero
0027	Direct Debit Date	8	No entry/blank
0028	Direct Debit Amount	12	No entry/blank
0030	State-Routing Transit	9	Numeric Valid nine-digit number of financial institution for direct deposit election. Blank if no direct deposit election.
0032	State-RTN-Indicator	1	Numeric 0 = No State RTN present 1 = State RTN found on FOMF 2 = State RTN not found on FOMF
0035	State-Deposit Acct No	17	Alphanumeric Valid account number that can be 17 digits for direct deposit election. <u>Left-justified, space-filled if less than 17 digits.</u> Cannot contain leading or embedded spaces. Blank if no direct deposit election.
0040	State-Checking-Acct	1	Alpha Value "X" or Blank Required field if direct deposit.
0048	State-Savings-Acct	1	Alpha Value "X" or Blank Required field if direct deposit.

INDICATORS SECTION

Field #	Identification	Length	Description
0049	On-Line-State-Return	1	Alpha Value "O" = On-line or Blank

PARTICIPANT SECTION

Field #	Identification	Length	Description
0050	State Numeric Area	27	Numeric
	a. Preparer SSN/Preparer TIN (PTIN)	9	Numeric (byte 01-09) Value PNNNNNNNNN or NNNNNNNNNN Preparer SSN required if Preparer TIN is not present.
	b. Preparer EIN	9	Numeric (byte 10-18) Required if preparer has one available.
	c. Preparer ZIP	5	Numeric (byte 19-23)
	d. Prepare ZIP + 4	4	Numeric (byte 24-27)
0052	State Alphanumeric Area	93	Alphanumeric
	a. Mailbox ID	5	Alphanumeric (byte 01-05) No entry/blank
	b. Preparer Firm Name	35	Alphanumeric (byte 06-40)
	c. Preparer Street Address	30	Alphanumeric (byte 41-70)
	d. Preparer City	20	Alpha (byte 71-90)
	e. Preparer State	2	Alpha (byte 91-92)
	f. Preparer Self-Empl Ind	1	Alpha (byte 93) Value "X" or Blank

ENTITY SECTION

Field #	Identification	Length	Description
0055	Spouse's SSN	9	Numeric Required field if filing status is '2'. Blank when filing status is not '2'.
0060	Name Line 1	35	Alphanumeric
	a. Primary Last Name	32	Required field.
	b. Primary Suffix	3	Numeric characters must be replaced by roman numerals.
0062	Date of Death Primary	8	Numeric Use a valid date (ex. YYYYMMDD) or Blank.
0065	Name Line 2	35	Alphanumeric
	a. Secondary Last Name	32	Required field if filing status is

			'2'.
	b. Secondary Suffix	3	Numeric characters must be replaced by roman numerals.
0068	Date of Death Spouse	8	Numeric Use a valid date (ex. YYYYMMDD) or Blank.
0070	Name Line 3	35	Alphanumeric
	a. Primary First Name	16	Required field.
	b. Primary Middle Initial	1	Alpha
	c. Secondary First Name	16	Required field if filing status is '2'.
	d. Secondary Middle Initial	1	Alpha
	e. IAT (International ACH Transaction)	1	Alpha Value "X" or Blank "See special instructions in the Software Developer Guide"
0074	In C/o Address	35	Alphanumeric
0075	Address Line 1 Street Address Line 1	35	Alphanumeric Required field if a domestic address.
0077	Foreign Street Address	35	Alphanumeric Required field if a foreign address.
0080	Address Line 2 Mailing Address Line 2	35	Alphanumeric Note: Executor Name is no longer being requested and should not be sent. "If your software has a separate field for apartment number, please be sure to append that number (e.g. "Apt 12345") at the end of this field.
0085	City	22	Alpha Required field if a domestic address.
0087	Foreign City, State, or Province	35	Alphanumeric Required field if a foreign address.
0090	City Code	5	No entry/zeros
0095	State Abbreviation	2	Alpha Required field if a domestic address.
0098	Foreign Country	22	Alpha Required field if a foreign address.

0100	Zip Code	12	Numeric <u>Left-justified, zero-filled.</u> Required field if a domestic address.
0105	County	20	Alpha
0110	County Code	5	Numeric The valid range is 00001-00101. A list of county codes is provided in the appendix. <u>Right-justified, zero-filled.</u> Required field if a domestic address. If a domestic address and the state is not NC, county code must be '101'.
0115	Taxpayer Telephone Number	12	Numeric <u>Left-justified, zero-filled.</u>
0120	Primary Taxpayer Signature	5	Numeric; PIN use only
0125	Spouse Signature	5	Numeric; PIN use only
0126	ERO EFIN/PIN	11	Numeric

Note: If the return has a domestic address, the following must be present:

IRS 0075, IRS 0095, and IRS 0100

If the return has a foreign address, the following must be present:

IRS 0077, IRS 0087, and IRS 0098

CONSISTENCY SECTION

Field #	Identification	Length	Description
0150	Federal Filing Status	1	Numeric Value "1", "2", "3", "4", or "5"
0155	Total Federal Exemptions	2	Numeric Valid range 00-99
0160	Wages, Salaries, Tips	12	No entry/zeros
0165	Taxable Interest	12	No entry/zeros
0170	Tax Exempt Interest	12	No entry/zeros
0175	Dividends	12	No entry/zeros
0180	State Refund State or local income tax refund (D-400, Line 43)	12	Numeric
0185	Taxable Social Security Benefits	12	No entry/zeros
0190	Keogh Plan and SEP Deductions	12	No entry/zeros
0195	Adjusted Gross Income	12	No entry/zeros
0200	Standard/Itemized Deductions	12	No entry/zeros
0205	Earned Income Credit	12	No entry/zeros

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ALPHANUMERIC SECTION

Field #	Identification	Length	Description
0300	Alphanumeric Field 1	80	Alphanumeric
	a. Software Developer Code	10	Alphanumeric (byte 01-10) Value: ID selected by the software developer
	b. Paid Preparer Name	31	Alpha
	.01 First Name	15	Alpha (byte 11-25)
	.02 Middle Initial	1	Alpha (byte 26)
	.03 Last Name	15	Alpha (byte 27-41)
Note: IRS field 0300B is subdivided which deviates from the adopted standard.			
	c. Preparer Phone Number	10	Numeric (byte 42-51) Left-justified. Required field if a paid preparer is present.
	d. Non-paid Preparer	13	No entry/blank (byte 52-64)
	e. Preparer State EIN	16	No entry/blank (byte 65-80)
0305	Alphanumeric Field 2	80	Alphanumeric
	a. Use of a Paid Tax Preparer	1	Alpha (byte 1) Value "Y" or "N" Required field.
	b. Political Party Fund – Primary	1	Alphanumeric (byte 2) Value "1", "2" or "3" See section 12, bullet #3.
	c. Political Party Fund – Spouse	1	Alphanumeric (byte 3) Value "1", "2" or "3" See section 12, bullet #3.
	d. Married Filing Separately Name	25	Alphanumeric (byte 4-28) Use IRS name criteria. Required field if filing status is '3'.
	e. Married Filing Separately SSN	9	Numeric (byte 29-37) Required field if filing status is '3'.
	f. Year Spouse Died	4	Numeric (38-41) Format is YYYY or no entry/blank. Required field if filing status is '5'.
	g. Exception to Underpayment	1	Alpha (byte 42)

	of Estimated Tax		Value "F", "A", or blank
	h. Deceased Indicator – Primary	1	Alpha (byte 43) Value "Y" or "N" ("Y" = primary deceased; otherwise the value should be "N") Required field.
	i. Deceased Indicator – Spouse	1	Alpha (byte 44) Value "Y" or "N" ("Y" = spouse deceased; otherwise the value should be "N") Required field if filing status is '2'.
	j. Federal Adjusted Gross Income from Federal Return	12	Numeric (byte 45-56) Note: May be negative. Right-justified, zero-filled. Required field.
	k. NC Public Campaign Fund – Primary	1	Alpha (byte 57) Value "Y", "N", or blank
	l. NC Public Campaign Fund – Spouse	1	Alpha (byte 58) Value "Y", "N", or blank
	m. Other miscellaneous income tax credits – Property Taxes on Farm Machinery	1	Alpha (byte 59) Value "Y", "N", or blank. Required field if credit claimed.
	n. Other miscellaneous income tax credits – Gleaned Crops	1	Alpha (byte 60) Value "Y", "N", or blank Required field if credit claimed.
	o. Other miscellaneous income tax credits – Poultry Composting	1	Alpha (byte 61) Value "Y", "N", or blank Required field if credit claimed.
	p. Other miscellaneous income tax credits – Handicapped Dwelling Units	1	Alpha (byte 62) Value "Y", "N", or blank Required field if credit claimed.
	q. Other miscellaneous income tax credits – Conservation Tillage Equipment	1	Alpha (byte 63) Value "Y", "N", or blank Required field if credit claimed.
	r. Residency Status – Primary	1	Alpha (byte 64) Value "Y" or "N" ("Y" = full-year resident; "N" = part-year or nonresident) Required field.
	s. Residency Status – Spouse	1	Alpha (byte 65) Value "Y", "N", or blank ("Y" = full-year resident; "N" = part-year

			or nonresident) Required field if filing status is '2'.
	t. Signed by Executor or Administrator Indicator	1	Alpha (byte 66) Value "Y" or "N" Required field if primary or spouse is deceased.
	u. Other miscellaneous income tax credits – Recycling Oyster Shells	1	Alpha (byte 67) Value "Y", "N", or blank Required field if credit claimed.
	v. filler	13	Alphanumeric (byte 68-80)
0310	Alphanumeric Field 3	80	Alphanumeric
	a. Part-year resident: Date residency began – You (Primary)	6	Numeric (byte 01-06) Use a valid date (ex. MMDDYY) or Blank Required field if primary is part-year resident.
	b. Part-year resident: Date residency began – Spouse	6	Numeric (byte 07-12) Use a valid date (ex. MMDDYY) or Blank Required field if spouse is part-year resident and filing status is '2'.
	c. Part-year resident: Date residency ended – You (Primary)	6	Numeric (byte 13-18) Use a valid date (ex. MMDDYY) or Blank Required field if primary is part-year resident.
	d. Part-year resident: Date residency ended – Spouse	6	Numeric (byte 19-24) Use a valid date (ex. MMDDYY) or Blank Required field if spouse is part-year resident and filing status is '2'.
	e. Nonresident of NC Indicator – You (Primary)	1	Alpha (byte 25) Value "Y", "N", or blank Required field if primary is a nonresident.
	f. Nonresident of NC Indicator – Spouse	1	Alpha (byte 26) Value "Y", "N", or blank Required field if spouse is a nonresident and filing status is '2'.

	g. Moved Into or Out of NC Indicator – You (Primary)	1	Alpha (byte 27) Value “Y”, “N”, or blank Required field if primary moved into or out of NC.
	h. Moved Into or Out of NC Indicator – Spouse	1	Alpha (byte 28) Value “Y”, “N”, or blank Required field if spouse moved into or out of NC and filing status is ‘2’.
	i. Out of Country on April 15 and a U.S. Citizen or Resident Indicator – Primary and/or Spouse	1	Alpha (byte 29) Value “Y”, “N”, or blank Required field if primary and/or spouse were out of the country on April 15 and a U.S. citizen or resident.
	j. Number of qualifying children	2	Numeric (byte 30 – 31)
	k. Free File Indicator	1	Alpha (byte 32) Value “Y” or “N” Required field
	l. IP Address	39	Alpha (byte 33 – 71) For On-Line Filers Allowable special characters are: Period, colon, or blank. Required field
	m. Filler	9	No entry/blank (byte 72-80)
0315	Alphanumeric Field 4	80	No entry/blank
0320	Alphanumeric Field 5	80	No entry/blank
0325	Alphanumeric Field 6	80	No entry/blank
0330	Alphanumeric Field 7	80	No entry/blank

SIGNED NUMERIC SECTION

Field #	Identification	Length	Description
0350	Numeric Field 1 Federal Taxable Income (D-400, Line 6)	12	Numeric Note: May be negative. Required field.
0355	Numeric Field 2 Additions to Federal Taxable Income (D-400, Line 7)	12	Numeric

0360	Numeric Field 3 Line 6 + Line 7 (D-400, Line 8)	12	Numeric Note: May be negative.
0365	Numeric Field 4 Deductions from Federal Taxable Income (D-400, Line 9)	12	Numeric
0370	Numeric Field 5 Line 8 - Line 9 (D-400, Line 10)	12	Numeric Note: May be negative.
0375	Numeric Field 6 Percentage of NC Taxable Income (D-400, Line 12)	12	Numeric Note: Round to four decimal places and do not enter the decimal point. Example: Enter .0055 as 0000000055
0380	Numeric Field 7 Line 18 + Line 19 (D-400, Line 20)	12	Numeric
0385	Numeric Field 8 Same as Line 10 (D-400, Line 11)	12	Numeric Note: May be negative.
0390	Numeric Field 9 NC Taxable Income (D-400, Line 13)	12	Numeric Note: May be negative.
0395	Numeric Field 10 NC Income Tax Withheld – Primary (D-400, Line 21a)	12	Numeric
0400	Numeric Field 11 NC Income Tax Withheld – Spouse (D-400, Line 21b)	12	Numeric
0405	Numeric Field 12 Total Other Tax Payments (D-400, Line 24)	12	Numeric
0410	Numeric Field 13 NC Income Tax (D-400, Line 14)	12	Numeric
0415	Numeric Field 14 Tax Credits (D-400, Line 17)	12	Numeric Required field if an amount is on Form D-400TC, Part 4, Line 36.
0420	Numeric Field 15 Overpayment (D-400, Line 27)	12	Numeric
0425	Numeric Field 16 2010 Estimated Income Tax Designation (D-400, Line 28)	12	Numeric
0430	Numeric Field 17 NC Wildlife Fund Designation	12	Numeric

	(D-400, Line 29)		
0435	Numeric Field 18 Other miscellaneous income tax credits (D-400TC, Part 4, Line 30)	12	Numeric
0440	Numeric Field 19 Total designation (Line 28 + Line 29) (D-400, Line 30)	12	Numeric
0445	Numeric Field 20 Amount to be Refunded (D-400, Line 31)	12	Numeric Required field if taxpayer requests all of refund.
0450	Numeric Field 21 Interest Income from Obligations of States Other than NC (D-400, Line 38)	12	Numeric
0455	Numeric Field 22 Adjustment for Domestic Production Activities (D-400, Line 39)	12	Numeric
0460	Numeric Field 23 Other Additions to Federal Taxable Income (D-400, Line 41)	12	Numeric
0465	Numeric Field 24 Total Additions to Federal Taxable Income (D-400, Line 42)	12	Numeric
0470	Numeric Field 25 Interest Income from Obligations of the U.S. or U.S. Possessions (D-400, Line 44)	12	Numeric
0475	Numeric Field 26 Social Security and Railroad Retirement Benefits (D-400, Line 45)	12	Numeric
0480	Numeric Field 27 Retirement Benefits, Bailey Settlement (D-400, Line 46)	12	Numeric
0485	Numeric Field 28 2009 Estimated Tax Payments (D-400, Line 22a)	12	Numeric
0490	Numeric Field 29 Penalties and Interest	12	Numeric

	(D-400, Line 25b)		
0495	Numeric Field 30 Line 16 - Line 17 (D-400, Line 18)	12	Numeric
0500	Numeric Field 31 Result from Retirement Benefits Worksheet (D-400, Line 47)	12	Numeric Note: Amount must not exceed \$4000 for each taxpayer who received retirement benefits.
0505	Numeric Field 32 Adjustment for Additional First-year Depreciation Added Back in 2002, 2003, and 2004 (D-400, Line 49)	12	Numeric
0510	Numeric Field 33 Contributions to NC's National College Savings Program (D-400, Line 51)	12	Numeric
0515	Numeric Field 34 Federal Itemized or Standard Deduction (D-400, Line 32)	12	Numeric
0520	Numeric Field 35 NC Standard Deduction (D-400, Line 33)	12	Numeric Required field.
0525	Numeric Field 36 Line 32 - Line 33 (D-400, Line 34)	12	Numeric Note: Amount cannot be less than zero.
0530	Numeric Field 37 State, Local, and Foreign Income Taxes, and Motor Vehicle Taxes if Itemized (D-400, Line 35)	12	Numeric
0535	Numeric Field 38 Amount from Line 34, if Standard Deduction, or Lesser of Line 34 or Line 35, if Itemized (D-400, Line 36)	12	Numeric
0540	Numeric Field 39 Personal Exemption Adjustment (D-400, Line 37)	12	Numeric
0545	Numeric Field 40 Total Credit for Child and Dependent Care Expenses for Full-year Residents	12	Numeric

	(D-400TC, Part 2, Line 13)		
0550	Numeric Field 41 Child and Dependent Care Expenses from Federal Return (D-400TC, Part 2, Line 8)	12	Numeric Amount cannot exceed \$3000 for one dependent or \$6000 for two or more dependents.
0555	Numeric Field 42 Nonresidents and Part-year Residents (Line 13 times %) (D-400TC, Part 2, Line 14)	12	Numeric
0560	Numeric Field 43 Portion of Expenses Incurred for Dependents Under Age 7 and Dependents Incapable of Caring for Themselves (D-400TC, Part 2, Line 9)	12	Numeric
0565	Numeric Field 44 Credit at Rate from Column A of Table (D-400TC, Part 2, Line 10)	12	Numeric
0570	Numeric Field 45 Other Qualifying Expenses (D-400TC, Part 2, Line 11)	12	Numeric
0575	Numeric Field 46 Credit at Rate from Column B of Table (D-400TC, Part 2, Line 12)	12	Numeric
0580	Numeric Field 47 Total Child and Dependent Care Credit from Line 13 or Line 14 (D-400TC, Part 2, Line 15)	12	Numeric
0585	Numeric Field 48 Total of Parts 1, 2, and 3 (Add Lines 7a, 15, and 18) (D-400TC, Part 4, Line 19)	12	Numeric
0590	Numeric Field 49 Credit for Adoption Expenses (D-400TC, Part 4, Line 22)	12	Numeric
0595	Numeric Field 50 Credit for Long-term Care Insurance Premiums (D-400TC, Part 4, Line 21)	12	Numeric
0600	Numeric Field 51 Total Charitable Contributions	12	Numeric

	(D-400TC, Part 4, Line 20a)		
0605	Numeric Field 52 Credit for Qualified Business Investments (D-400TC, Part 4, Line 23)	12	Numeric
0610	Numeric Field 53 Credit for Disabled Taxpayer, Dependent, or Spouse (D-400TC, Part 4, Line 24)	12	Numeric
0615	Numeric Field 54 Credit for Certain Real Property Land Donations (D-400TC, Part 4, Line 25)	12	Numeric
0620	Numeric Field 55 Qualified Expenditures for Rehabilitating an Income-producing Historic Structure (D-400TC, Part 4, Line 26a)	12	Numeric
0625	Numeric Field 56 Rehabilitation Expenses for Rehabilitating a Nonincome-producing Historic Structure (D-400TC, Part 4, Line 27a)	12	Numeric
0630	Numeric Field 57 Credit for Children (D-400TC, Part 3, Line 16)	12	Numeric
0635	Numeric Field 58 Credit for Children (D-400TC, Part 3, Line 18)	12	Numeric
0640	Numeric Field 59 Paid with Extension (D-400, Line 22b)	12	Numeric
0645	Numeric Field 60 Partnership Payments (D-400, Line 22c)	12	Numeric Note: Must mail copy of NC K-1 furnished by partnership(s) to the NCDOR to verify the amount claimed.
0650	Numeric Field 61 S Corporation Payments (D-400, Line 22d)	12	Numeric Note: Must mail copy of NC K-1 furnished by S Corporation(s) to the NCDOR to

			verify the amount claimed.
0655	Numeric Field 62 Pay this Amount (Add Lines 25a, 25b, and 25c) (D-400, Line 26)	12	Numeric
0660	Numeric Field 63 Total Income While Resident of NC (D-400TC, Part 1, Line 1)	12	Numeric
0665	Numeric Field 64 Portion of Line 1 Taxed Outside NC (D-400TC, Part 1, Line 2)	12	Numeric
0670	Numeric Field 65 Line 2 Divided by Line 1 (D-400TC, Part 1, Line 3)	12	Numeric Note: Round to four decimal places and do not enter the decimal point. Example: Enter .0055 as 0000000055
0675	Numeric Field 66 Amount of NC Tax (From D-400, Line 16) (D-400TC, Part 1, Line 4)	12	Numeric
0680	Numeric Field 67 Computed Credit (Line 3 x Line 4) (D-400TC, Part 1, Line 5)	12	Numeric
0685	Numeric Field 68 Net Tax Paid Outside NC (D-400TC, Part 1, Line 6)	12	Numeric
0690	Numeric Field 69 Lesser of Line 5 or Line 6 (D-400TC, Part 1, Line 7a)	12	Numeric
0695	Numeric Field 70 Consumer Use Tax (D-400, Line 19)	12	Numeric
0700	Numeric Field 71 Qualified Expenditures for Rehabilitating an Income- producing Historic Mill Facility (D-400TC, Part 4, Line 28a)	12	Numeric
0705	Numeric Field 72 Rehabilitation Expenses for Rehabilitating a Nonincome- producing Historic Mill Facility (D-400TC, Part 4, Line 29a)	12	Numeric

0710	Numeric Field 73 Subtract if Line 20 is more than Line 24 (D-400, Line 25a)	12	Numeric
0715	Numeric Field 74 Interest on Underpayment of Estimated Income Tax (D-400, Line 25c)	12	Numeric
0720	Numeric Field 75 Other Deductions from Federal Taxable Income (D-400, Line 52)	12	Numeric
0725	Numeric Field 76 Total Deductions from Federal Taxable Income (D-400, Line 53)	12	Numeric
0730	Numeric Field 77 Amount from Column B, Line 30 of the Part-year Resident/Nonresident Worksheet (D-400, Line 54)	12	Numeric Note: May be negative.
0735	Numeric Field 78 Amount from Column A, Line 30 of the Part-year Resident/Nonresident Worksheet (D-400, Line 55)	12	Numeric Note: May be negative.
0740	Numeric Field 79 Installment Amount of Credit for Rehabilitating an Income- producing Historic Structure (D-400TC, Part 4, Line 26b)	12	Numeric
0745	Numeric Field 80 Nonresidents and Part-year Residents (Line 16 x percentage) (D-400TC, Part 3, Line 17)	12	Numeric
0750	Numeric Field 81 Credit for Charitable Contributions by nonitemizers (D-400TC, Part 4, Line 20b)	12	Numeric
0755	Numeric Field 82 Number of States for Which Credit is Claimed	12	Numeric

	(D-400TC, Part 1, Line 7b)		
0760	Numeric Field 83 Tax Credits Carried Over from Previous Year (D-400TC, Part 4, Line 31)	12	Numeric
0765	Numeric Field 84 Severance Wages (D-400, Line 48)	12	Numeric
0770	Numeric Field 85 Installment Amount of Credit for Rehabilitating a Nonincome- producing Historic Structure (D-400TC, Part 4, Line 27b)	12	Numeric
0775	Numeric Field 86 Amount of Credit for Rehabilitating an Income- producing Historic Mill Facility (D-400TC, Part 4, Line 28b)	12	Numeric
0780	Numeric Field 87 Installment Amount of Credit for Rehabilitating a Nonincome- producing Historic Mill Facility (D-400TC, Part 4, Line 29b)	12	Numeric
0785	Numeric Field 88 Total Credits (Add Lines 19, 20b, 21, 22, 23, 24, 25, 26b, 27b, 28b, 29b, 30 and 31) (D-400TC, Part 4, Line 32)	12	Numeric
0790	Numeric Field 89 Amount of Tax (From D-400, Line 16) (D-400TC, Part 4, Line 33)	12	Numeric
0795	Numeric Field 90 Lesser of Line 32 or Line 33 (D-400TC, Part 4, Line 34)	12	Numeric
0800	Numeric Field 91 Line 54 Divided by Line 55 (D- 400, Line 56)	12	Numeric Note: Round to four decimal places and do not enter the decimal point. Example: Enter .0055 as 0000000055
0805	Numeric Field 92 Business Incentive and Energy Tax Credits	12	Numeric Note: Must mail Form NC-478 and Series A-I (if applicable) to

	(D-400TC, Part 4, Line 35)		the NCDOR if credit is claimed.
0810	Numeric Field 93 Line 34 + Line 35 (D-400TC, Part 4, Line 36)	12	Numeric Note: Amount may not exceed tax shown on D-400, Line 14.
0815	Numeric Field 94 Adjustment for bonus depreciation (D-400, Line 40)	12	Numeric
0820	Numeric Field 95 Amount of federal earned income tax credit (D-400TC, Part 5, Line 37)	12	Numeric
0825	Numeric Field 96 Portion of federal earned income tax credit (D-400TC, Part 5, Line 38)	12	Numeric Note: Credit allowed was increased to 5% (.05).
0830	Numeric Field 97 Amount of Earned Income Tax Credit (D-400TC, Part 5, Line 39)	12	Numeric
0835	Numeric Field 98 Earned Income Credit (D-400, Line 23)	12	Numeric
0840	Numeric Field 99 NC Surtax (D-400, Line 15)	12	Numeric Required field if North Carolina Taxable Income exceeds the amount established for each filing status - "See the Surtax Percentage Table located in Chapter 8 of the Software Developer's Guide under the heading <u>What's New for Tax Year 2009</u>"
0845	Numeric Field 100 Line 14 + Line 15 Total North Carolina Income Tax (D-400, Line 16)	12	Numeric
0850	Numeric Field 101 Adjustment for Bonus Depreciation Added Back in 2008 (D-400 Line 50)	12	Numeric
0855	Numeric Field 102	12	No entry/zeros
0860	Numeric Field 103	12	No entry/zeros

0865	Numeric Field 104	12	No entry/zeros
0870	Numeric Field 105	12	No entry/zeros
0875	Numeric Field 106	12	No entry/zeros
0880	Numeric Field 107	12	No entry/zeros
0885	Numeric Field 108	12	No entry/zeros
0890	Numeric Field 109	12	No entry/zeros
0895	Numeric Field 110	12	No entry/zeros
0900	Numeric Field 111	12	No entry/zeros
0905	Numeric Field 112	12	No entry/zeros
0910	Numeric Field 113	12	No entry/zeros
0915	Numeric Field 114	12	No entry/zeros
0920	Numeric Field 115	12	No entry/zeros
0925	Numeric Field 116	12	No entry/zeros

Field #	Identification	Length	Description
	Record Terminus	1	Value “#”

APPENDIX

NC DEPARTMENT OF REVENUE HOLIDAY SCHEDULE

2009 Holiday Schedule		
Holiday	Observance Date	Day of Week
New Year's Day	January 1, 2009	Thursday
Martin Luther King Jr.'s Birthday	January 19, 2009	Monday
Good Friday	April 10 , 2009	Friday
Memorial Day	May 25, 2009	Monday
Independence Day	July 3, 2009	Friday
Labor Day	September 7, 2009	Monday
Veteran's Day	November 11, 2009	Wednesday
Thanksgiving	November 26& 27, 2009	Thursday & Friday
Christmas	December 24 & 25, 2009	Thursday & Friday

2010 Holiday Schedule

Holiday	Observance Date	Day of Week
New Year's Day	January 1, 2010	Friday
Martin Luther King Jr.'s Birthday	January 18, 2010	Monday
Good Friday	April 2 , 2010	Friday
Memorial Day	May 31, 2010	Monday
Independence Day	July 5, 2010	Monday
Labor Day	September 6, 2010	Monday
Veteran's Day	November 11, 2010	Thursday
Thanksgiving	November 25 & 26, 2010	Thursday & Friday
Christmas	December 24 & 27, 2010	Friday & Monday

NORTH CAROLINA COUNTY CODES

01 - Alamance	42 - Halifax	83 - Scotland
02 - Alexander	43 - Harnett	84 - Stanly
03 - Alleghany	44 - Haywood	85 - Stokes
04 - Anson	45 - Henderson	86 - Surry
05 - Ashe	46 - Hertford	87 - Swain
06 - Avery	47 - Hoke	88 - Transylvania
07 - Beaufort	48 - Hyde	89 - Tyrrell
08 - Bertie	49 - Iredell	90 - Union
09 - Bladen	50 - Jackson	91 - Vance
10 - Brunswick	51 - Johnston	92 - Wake
11 - Buncombe	52 - Jones	93 - Warren
12 - Burke	53 - Lee	94 - Washington
13 - Cabarrus	54 - Lenoir	95 - Watauga
14 - Caldwell	55 - Lincoln	96 - Wayne
15 - Camden	56 - Macon	97 - Wilkes
16 - Carteret	57 - Madison	98 - Wilson
17 - Caswell	58 - Martin	99 - Yadkin
18 - Catawba	59 - McDowell	100 - Yancey
19 - Chatham	60 - Mecklenburg	101 - Foreign
20 - Cherokee	61 - Mitchell	
21 - Chowan	62 - Montgomery	
22 - Clay	63 - Moore	
23 - Cleveland	64 - Nash	
24 - Columbus	65 - New Hanover	
25 - Craven	66 - Northampton	
26 - Cumberland	67 - Onslow	
27 - Currituck	68 - Orange	
28 - Dare	69 - Pamlico	
29 - Davidson	70 - Pasquotank	
30 - Davie	71 - Pender	
31 - Duplin	72 - Perquimans	
32 - Durham	73 - Person	
33 - Edgecombe	74 - Pitt	
34 - Forsyth	75 - Polk	
35 - Franklin	76 - Randolph	
36 - Gaston	77 - Richmond	
37 - Gates	78 - Robeson	
38 - Graham	79 - Rockingham	
39 - Granville	80 - Rowan	
40 - Greene	81 - Rutherford	
41 - Guilford	82 - Sampson	

Tax Rate Schedule for Tax Years After 2007

Depending upon your filing status and your taxable income, the North Carolina tax rate ranges from 6 to 7.75 percent. If your taxable income is less than \$68,000, a tax table is provided in the instruction booklet beginning on page 17. To obtain a copy of the instruction booklet please call toll-free at 1-877-252-3052 or you may visit a [service center](#) or go to our [Order Forms](#) page. If your taxable income is \$68,000 or more, determine your tax by using our [tax calculator](#) or by choosing the tax schedule listed below for your filing status.

If your filing status is single;

and taxable income is more than:	but not over:	your tax is:
\$ 0	\$12,750	6% OF THE NC TAXABLE INCOME AMOUNT ON FORM D-400
\$12,750	\$60,000	\$765 + 7% OF THE AMOUNT OVER \$12,750
\$60,000	_____	\$4,072.50 + 7.75% OF THE AMOUNT OVER \$60,000

If your filing status is head of household;

and taxable income is more than:	but not over:	your tax is:
\$ 0	\$17,000	6% OF THE NC TAXABLE INCOME AMOUNT ON FORM D-400
\$17,000	\$80,000	\$1,020 + 7% OF THE AMOUNT OVER \$17,000
\$80,000	_____	\$5,430 + 7.75% OF THE AMOUNT OVER \$80,000

If your filing status is married, filing jointly or qualifying widow or widower;

and taxable income is more than:	but not over:	your tax is:
\$ 0	\$21,250	6% OF THE NC TAXABLE INCOME

		AMOUNT ON FORM D-400
\$21,250	\$100,000	\$1,275 + 7% OF THE AMOUNT OVER \$21,250
\$100,000	_____	\$6,787.50 + 7.75% OF THE AMOUNT OVER \$100,000

If your filing status is married, filing separately;

and taxable income is more than:	but not over:	your tax is:
\$ 0	\$10,625	6% OF THE NC TAXABLE INCOME AMOUNT ON FORM D-400
\$10,625	\$50,000	\$637.50 + 7% OF THE AMOUNT OVER \$10,625
\$50,000	_____	\$3,393.75 + 7.75% OF THE AMOUNT OVER \$50,000

➡ [Tax Calculator](#)

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