

IV. DECLARATION OF ESTIMATED INCOME TAX BY CORPORATIONS (Article 4C)

A. Declaration of Estimated Income Tax Required

A declaration of estimated tax must be filed by a corporation for each taxable year in which it can reasonably be expected to have an income tax liability to North Carolina of at least five hundred dollars (\$500).

The term “estimated tax” means the amount of income tax the corporation expects to owe for the taxable year after subtracting any tax credits.

The term “taxable year,” for the purpose of filing declarations of estimated tax, means the calendar or fiscal year in which the company expects to earn the income upon which the estimated tax is based.

B. Payment and Due Dates

1. Form of Payment

Form CD-429, Corporate Estimated Income Tax, is used to pay corporate estimated income tax. The taxpayer may also pay corporate estimated income tax on-line using the Department’s website, www.dornnc.com.

A corporation that is required to pay its federal estimated income tax by electronic funds transfer must pay its State estimated income tax by electronic funds transfer. For information on payments by electronic funds transfer see subsection G, Electronic Funds Transfer (EFT) Requirement, below and the “General Administration” section.

2. When Due

Declaration returns and payments of tax are due to be filed on or before the 15th day of the 4th, 6th, 9th and 12th months of the taxable year.

C. Underpayment of Estimated Tax

Failure to pay the required amount of estimated income tax will subject the corporation to interest on the underpayment. Use Form CD-429B to calculate the interest.

D. “No Interest” Tests

No interest for underpayment will be assessed if the estimated tax paid on or before the estimated tax due date is at least as large as the payment that would be due if the estimated tax fell into one of the following categories: (Note: Large corporations as defined in IRS Code Section 6655 are excluded from exception 1 or 2 below.)

1. It amounts to as much as the tax paid on the return of the preceding taxable year of twelve (12) months.

2. It amounts to as much as the tax would be by applying the current year's income tax rate to the corporation's taxable income in the previous year.
3. It amounts to ninety percent (90%) of the tax shown on the current annual income tax return.
4. It amounts to ninety percent (90%) of the tax that would be due on the basis of current income up to a specified cut-off date, annualized for the year.

E. Short Taxable Years

No estimated tax is required if the short period is less than four months, or the requirements to make an estimated payment are not met before the first day of the last month in the short tax year.

F. Overpayment of Tax

A corporation may elect to have an income tax refund applied to estimated income tax for the following year. A return reflecting an election to apply a refund to estimated income tax for the following year must be filed by the last allowable date for making estimated tax payments for that year for the election to be valid.

If a corporation makes a valid election, the corporation may not revoke the election after the return on which the election is made has been filed.

G. Electronic Funds Transfer (EFT) Requirement (G.S. 105-163.40(d), G.S. 105-241(b))

A corporation subject to State estimated tax is required to make the payments of its estimated tax liability by electronic funds transfer (EFT) if either of the following conditions exist:

1. The corporation is required under the Internal Revenue Code to pay its federal estimated corporate income tax by electronic funds transfer.
2. The corporation has paid estimated corporate income tax installments of two hundred forty thousand dollars (\$240,000) or more in a twelve-month period. This twenty thousand dollars (\$20,000) monthly average threshold applies separately to the corporate tax liability and is not a combination of tax liabilities from other taxing schedules.