



June 3, 2016

North Carolina’s Reference to the Internal Revenue Code Updated - Impact on 2015 North Carolina Corporate and Individual income Tax Returns

Governor McCrory signed into law Session Law 2016-6 (Senate Bill 726) on June 1, 2016. The legislation updated North Carolina’s reference to the Internal Revenue Code to the Code as enacted as of January 1, 2016. As a result, North Carolina corporate and individual income tax laws generally follow the Protecting Americans From Tax Hikes Act of 2015 (“PATH”), which extended, and in some cases made permanent, several provisions in federal law that had sunset at the end of 2014. The law decouples from (does not follow) PATH in six instances. The table below identifies those instances and describes each difference and which lines on the tax returns are impacted.

	<u>Federal Provision</u>	<u>State Provision for 2015</u>	<u>NC C Corporate Return</u>	<u>NC Individual Return</u>
1	Bonus depreciation is extended to property placed in service in 2015, 2016 and 2017.	Addition required for 85% of bonus depreciation deducted on federal return.	Include on Form CD-405, Schedule H, Line 1.g.	Include on Form D-400 Schedule S, Part A, Line 3.
2	Code section 179 dollar and investment limitations of \$500,000 and \$2,000,000, respectively, extended to 2015. These amounts will increase for inflation beginning with tax year 2016.	NC dollar and investment limitations of \$25,000 and \$200,000, respectively, extended to 2015 and made permanent. Addition required for 85% of the difference between the deduction using federal limitations and the deduction using NC limitations.	Include on Form CD-405, Schedule H, Line 1.g.	Include on Form D-400 Schedule S, Part A, Line 3.
3	The treatment of mortgage insurance premiums as qualified residence interest is extended for 2015 and 2016.	Mortgage insurance premiums are not treated as qualified residence interest.	Not applicable	Exclude from Form D-400 Schedule S, Part C, Line 13.

4	The exclusion from gross income for cancellation of qualified principal residence debt is extended for 2015 and 2016.	Cancellation of qualified principal residence debt is not excluded from gross income.	Not applicable	Include on Form D-400 Schedule S, Part A, Line 3.
5	The exclusion from gross income for qualified charitable distributions from an IRA by a person who has attained age 70 ½ is extended for 2015 and 2016.	Qualified charitable distributions from an IRA by a person who has attained age 70 ½ are not excluded from gross income. The distributions are allowable as a charitable contribution.	Not applicable	Include addition on Form D-400 Schedule S, Part A, Line 3. Deduct contribution on Form D-400 Schedule S, Part C, Line 18 if itemizing
6	The deduction for qualified tuition and related expenses is extended for 2015 and 2016.	Qualified tuition and related expenses are not deductible.	Not applicable	Include addition on Form D-400 Schedule S, Part A, Line 3.

Any person who has already filed a 2015 North Carolina income tax return and whose federal taxable income (C corporation) or federal adjusted gross income (individual) is impacted by the amendments to federal law included in PATH or by the provisions of PATH from which North Carolina has decoupled must file an amended North Carolina return. If the amended return reflects additional tax due, the taxpayer will avoid a late-payment penalty if the additional tax reflected on the amended return is paid when the amended return is filed. If the amended return reflects additional tax due, interest is due on the additional tax from the date the tax was due (April 15, 2016 for calendar year taxpayers; the fifteenth day of the fourth month after the end of the tax year for fiscal year taxpayers) until the additional tax is paid. The interest rate is 5% per year through December 31, 2016. For the interest rate in effect after December 31, 2016, see www.dorncc.com/taxes/rate.html on or after December 1, 2016.

D-400 Schedule S

2015 North Carolina Supplemental Schedule

Last Name (First 10 Characters)

IMPORTANT: Do not send a photocopy of this form.
The original form is printed in pink and black ink.

Your Social Security Number

Important: Refer to the Instructions before completing Parts A, B, C, or D of this form.
If you complete this form, you must attach this form to Form D-400, otherwise, we may be unable to process your return.

Part A. Additions to Federal Adjusted Gross Income (See Line Instructions.)

Enter Whole U.S. Dollars Only

- 1. Interest income from obligations of states other than North Carolina ▶ 1.
- 2. Adjustment for domestic production activities (See instructions.) ▶ 2.
- 3. Other additions to federal adjusted gross income (Attach explanation or schedule.) ▶ 3.
- 4. **Total additions** - Add Lines 1 through 3. (Enter the total here and on Form D-400, Line 7.) 4.



Part B. Deductions from Federal Adjusted Gross Income (See Line Instructions.)

- 5. State or local income tax refund if included on Line 10 of Federal Form 1040 ▶ 5.
- 6. Interest income from obligations of the United States or United States' possessions ▶ 6.
- 7. Taxable portion of Social Security and Railroad Retirement Benefits included on your federal return ▶ 7.
- 8. Retirement benefits received by **vested** N.C. State government, N.C. local government, or federal government retirees (Bailey settlement - Important: See instructions.) ▶ 8.
- 9. Adjustment for bonus depreciation added back in 2010, 2011, 2012, 2013, and 2014 (See instructions.)

9a. 2010	9b. 2011	9c. 2012
▶	▶	▶
9d. 2013	9e. 2014	
▶	▶	

(Add Lines 9a, 9b, 9c, 9d, and 9e and enter on Line 9f.) 9f.
- 10. Adjustment for section 179 expense deduction added back in 2010, 2011, 2012, 2013, and 2014 (See instructions.)

10a. 2010	10b. 2011	10c. 2012
▶	▶	▶
10d. 2013	10e. 2014	
▶	▶	

(Add Lines 10a, 10b, 10c, 10d, and 10e and enter on Line 10f.) 10f.
- 11. Other deductions from federal adjusted gross income (Attach explanation or schedule. Do not include any deduction for retirement benefits on this line.) ▶ 11.
- 12. **Total deductions** - Add Lines 5 through 8 and Lines 9f, 10f, and 11, (Enter the total here and on Form D-400, Line 9.) 12.



Important: You may deduct from federal adjusted gross income either the **N.C. standard deduction** or **N.C. itemized deductions**. If the amount of N.C. standard deduction exceeds the allowable N.C. itemized deductions, do not complete Part C. Enter the appropriate amount for your filing status from the following chart on Form D-400, Line 11. Otherwise, complete Part C, Itemized Deductions.

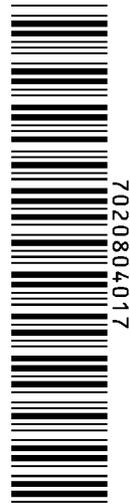
If your filing status is:	Your standard deduction is:
Single	\$7,500
Married filing jointly/Qualifying widow(er)	\$15,000
Married filing separately	
If spouse <u>does not claim</u> itemized deductions	\$7,500
If spouse <u>claims</u> itemized deductions	0
Head of household	\$12,000

Note: If you are (1) married filing a separate return for North Carolina income tax purposes and your spouse itemizes deductions, or (2) a nonresident alien, or (3) filing a short-year return because of a change in your accounting period, you are not entitled to the standard deduction.

Part C. N.C. Itemized Deductions (See Line Instructions.)
(Do not complete Part C if N.C. standard deduction is claimed on Form D-400, Line 11.)

Note: No itemized deductions included on Schedule A, Federal Form 1040 are allowed as N.C. itemized deductions except **qualified home mortgage interest, real estate property taxes, charitable contributions, and medical and dental expenses.**

- 13. Qualifying home mortgage interest ▶ 13.
- 14. Real estate property taxes ▶ 14.
- 15. Total home mortgage interest and real estate property taxes
(Add Lines 13 and 14 and enter result.) ▶ 15.
- 16. Qualifying home mortgage interest and real estate property taxes limitation ▶ 16.
- 17. Allowable home mortgage interest and real estate property taxes
(Compare Line 15 and Line 16, and enter whichever is less.) ▶ 17.
- 18. Charitable contributions ▶ 18.
- 19. Medical and dental expenses (From Line 4 of Schedule A, Federal Form 1040) ▶ 19.
- 20. **Total N.C. itemized deductions**, add Lines 17, 18, and 19 and enter the total here and on Form D-400, Line 11. ▶ 20.



Part D. Computation of North Carolina Taxable Income for Part-Year Residents and Nonresidents
(See Line Instructions.) Note: Do not complete Lines 21 through 23 if you were a full-year resident.

Fill in applicable circles.

Fill in circle(s) if you or your spouse moved into or out of North Carolina during the year. Enter the dates of residency in the boxes below. → You Spouse

You		Spouse	
Date residency began	Date residency ended	Date residency began	Date residency ended
(MM-DD-YY)	(MM-DD-YY)	(MM-DD-YY)	(MM-DD-YY)

Fill in circle(s) if you or your spouse were **nonresidents of North Carolina** for the entire year. →

Part-year residents and nonresidents must complete the **Part-Year Resident/Nonresident Worksheet** in the instructions to determine the amounts to enter on Lines 21 and 22 below.

- 21. Enter the amount from **Column B, Line 28 of the Part-Year Resident/Nonresident Worksheet** (See instructions.) ▶ 21.
- 22. Enter the amount from **Column A, Line 28 of the Part-Year Resident/Nonresident Worksheet** (See instructions.) ▶ 22.
- 23. Divide Line 21 by Line 22. (Enter the result as a decimal amount here and on Form D-400, Line 13; round to four decimal places.) ▶ 23.