

General Instructions for North Carolina Estate Tax Return

North Carolina Department of Revenue

North Carolina Estate Tax -- Under new federal estate tax law, effective for estates of decedents dying after December 31, 2001, the state death tax credit is phased out over three years beginning in 2002. However, the North Carolina General Assembly did not elect to adopt the phase-out provision. Therefore, the North Carolina estate tax is equal to the state death tax credit for federal purposes before applying the percentage reduction to the federal credit.

Filing Requirement -- A North Carolina Estate Tax Return is required to be filed by the personal representative if a federal estate tax return (Form 706) is required to be filed with the Internal Revenue Service. If decedent was a resident of North Carolina and all property is located in North Carolina, include copies of pages 1 and 3 of Federal Form 706. If decedent owned property outside of North Carolina or was a nonresident, include a complete copy of Form 706.

When and Where to File -- A North Carolina Estate Tax Return must be filed with the North Carolina Department of Revenue at the same time the federal estate tax return is due which is currently nine months from the date of death. Form A-101 should be mailed to the North Carolina Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0100.

Paying the Tax -- Payment should include the tax plus any applicable penalties and interest. Include the name of the estate on the payment. Attach payment to the return and mail to the above address. The personal representative may elect to make installment payments of North Carolina estate tax in the same manner as elected for federal estate tax payments under section 6166 of the Internal Revenue Code. Acceleration of the federal payments also accelerates the State payments. If the personal representative elects the same North Carolina installment payments, attach supporting documentation of the IRS acceptance of the election. The personal representative is liable for the estate tax that is not paid within two years after it was due. This liability is limited to the value of estate assets under the representative's control.

Penalties and Interest -- If the return is not filed by the due date, a late filing penalty of five percent of the tax (maximum 25 percent) is due for each month, or part of a month, the return is late. If the full amount of tax is not paid by the due date, a late payment penalty of ten percent of the unpaid tax (minimum \$5.00) is due. Interest accrues from the due date and continues to accrue until the tax is paid. Contact the Department of Revenue for the current interest rate.

Extensions -- If the North Carolina Estate Tax Return cannot be filed by the due date, an extension of time for filing the return and paying the tax may be granted. A request for an extension must be submitted in writing to the Department (at the above address) on or before the due date of the return. In lieu of requesting an extension, proof of a federal extension may be submitted with the return when filed.

Uniform Valuation -- The personal representative is required to file a copy of the Federal Estate Tax Closing Letter with the Department within two years of receipt. If changes are made to the federal estate tax return by the Internal Revenue Service, the personal representative must report the changes to the State by filing an amended North Carolina Estate Tax Return with a copy of the federal changes. If the amended return and payment of any additional tax due is not received by the Department within two years of receipt of the report of federal changes, a penalty of five percent of the additional tax for each month or part of a month that the return is late (minimum \$5.00; maximum 25 percent) is due.

IMPORTANT: Copies of pages 1 and 3 of Federal Form 706 must be attached to this return. If the decedent owned real property in another state or was a nonresident, you must attach a complete copy of Form 706 to this return. If the decedent was a resident of North Carolina and an amount is entered on line 10, Form A-101, include a copy of the other state(s) closing letter certifying the amount of tax paid or a copy of the estate tax return filed in the other state(s).

Tax Table - North Carolina Estate Tax

(1)		(2)	(3)	(4)	(1)		(2)	(3)	(4)
Adjusted Taxable Estate		Tax on amount in column (1)	Rate of tax on excess over amount in column (1)	Adjusted Taxable Estate		Tax on amount in column (1)	Rate of tax on excess over amount in column (1)		
Equal to or more than	less than			Equal to or more than	less than				
0	\$40,000	0	None	2,040,000	2,540,000	106,800	8.0%		
\$40,000	90,000	0	0.8%	2,540,000	3,040,000	146,800	8.8%		
90,000	140,000	\$400	1.6%	3,040,000	3,540,000	190,800	9.6%		
140,000	240,000	1,200	2.4%	3,540,000	4,040,000	238,800	10.4%		
240,000	440,000	3,600	3.2%	4,040,000	5,040,000	290,800	11.2%		
440,000	640,000	10,000	4.0%	5,040,000	6,040,000	402,800	12.0%		
640,000	840,000	18,000	4.8%	6,040,000	7,040,000	522,800	12.8%		
840,000	1,040,000	27,600	5.6%	7,040,000	8,040,000	650,800	13.6%		
1,040,000	1,540,000	38,800	6.4%	8,040,000	9,040,000	786,800	14.4%		
1,540,000	2,040,000	70,800	7.2%	9,040,000	10,040,000	930,800	15.2%		
				10,040,000	-----	1,082,800	16.0%		