

North Carolina

**Corporation Income and Business
Franchise Taxes**

Statistics and Trends

Tax Year 2022

March 2025



NCDOR

Tax Processing, Research & Equity Division

CONTENTS

INTRODUCTION.....	1
OVERVIEW OF TAXES COVERED BY THIS REPORT	2
<u>SECTION I - FRANCHISE TAX</u>	
C Corporation.....	6
Table 1.1: C Corporation Returns by Tax Base and Taxable Amount	
Table 1.2: C Corporation Net Franchise Tax Liability by Tax Base and Taxable Amount	
Table 1.3: C Corporation Returns and Net Franchise Tax Liability by Franchise Taxable Amount	
Figure 1.4: C Corporation Returns and Net Franchise Tax Liability by Franchise Taxable Amount	
Table 1.5: C Corporation Returns Claiming Franchise Tax Credits and Amount of Credits Taken	
Figure 1.6: C Corporation Returns Claiming Franchise Tax Credits and Amount of Credits Taken	
Table 1.7: C Corporation Franchise Tax Credits Taken by Credit Type and Franchise Taxable Amount	
S Corporation.....	11
Table 1.8: S Corporation Returns by Tax Base and Taxable Amount	
Table 1.9: S Corporation Net Franchise Tax Liability by Tax Base and Taxable Amount	
Table 1.10: S Corporation Returns and Net Franchise Tax Liability by Franchise Taxable Amount	
Figure 1.11: S Corporation Returns and Net Franchise Tax Liability by Franchise Taxable Amount	
Table 1.12: S Corporation Returns Taking Franchise Tax Credits and Amount of Credits Taken	
Figure 1.13: S Corporation Returns Taking Franchise Tax Credits and Amount of Credit Taken	
Table 1.14: S Corporation Franchise Tax Credits Taken by Credit Type	
C and S Corporations Combined	15
Table 1.15: C & S Corporation Returns and Net Franchise Tax Liability by Franchise Taxable Amount	
Table 1.16: C & S Corporations Franchise Tax Credits Taken by Credit Category	
<u>SECTION II - INCOME TAX</u>	
C Corporation.....	17
Table 2.1: C Corporation Returns and Net Income Tax Liability by NC Taxable Income	
Figure 2.2: C Corporation Returns and Net Income Tax Liability by NC Taxable Income	
Figure 2.3: C Corporation Returns and Net Income Tax Liability by Federal Taxable Income (Before NOL)	
Table 2.4: C Corporation Returns by Federal Taxable Income (Before NOL) and Apportionment Percentage	
Table 2.5: C Corporation Net Income Tax Liability by Federal Taxable Income (Before NOL) and Apportionment Percentage	
Figure 2.6: C Corporation Returns and Net Income Tax Liability by Apportionment Percentage	
Table 2.7: C Corporation Income Tax Calculation Detail by Federal Taxable Income (Before NOL)	
Table 2.8: Number of C Corporation Returns Taking Credits as a Percentage of Tax Liability	
Table 2.9: Amount of C Corporation Tax Credits Taken as a Percentage of Tax Liability	
Figure 2.10: C Corporation Income Tax Credits as a Percentage of Tax Liability	
Table 2.11: C Corporation Income Tax Credits by NC Taxable Income	
S Corporation.....	25
Table 2.12: S Corporation Returns and Net Income Tax Liability by NC Taxable Income	
Figure 2.13: S Corporation Returns and Net Income Tax Liability by NC Taxable Income	
Figure 2.14: S Corporation Returns by NC Taxable Income and Payment of Tax on Behalf of Shareholders	
Table 2.15: S Corporation Income Tax Calculation Detail	
Table 2.16: S Corporation Income Tax Credits by NC Taxable Income	

SECTION III – TRENDS

C Corporation.....29
Figure 3.1: C Corporation Returns by Tax Year
Figure 3.2: C Corporation Net Franchise and Income Tax Liabilities by Tax Year (in \$ Millions)
Figure 3.2a: C Corporation Net Taxable Income, for Taxable Returns Only (in \$ Millions)
Table 3.3: C Corporation Net Income Tax Liability by NC Taxable Income – Tax Years 2017 & 2022
Figure 3.4: C Corporation Net Income Tax Liability by NC Taxable Income – Tax Years 2017 & 2022
Table 3.5: Various Tax Credits Available to Corporations in Recent Years
Figure 3.6: C Corporation Tax Credits Taken by Tax Year – Tax Years 2017 to 2022

S Corporation.....33
Figure 3.7: S Corporation Returns by Tax Years
Figure 3.8: S Corporation Net Franchise and Income Tax Liabilities by Tax Year
Figure 3.9: S Corporation Returns by NC Taxable Income – Tax Years 2017 & 2022

SECTION IV – FISCAL YEAR STATISTICS

C and S Corporations Combined35
Table 4.1: C Corporation Statistics by Fiscal Year Start Month

SECTION V – INDUSTRY SECTORS

C Corporation.....36
Table 5.1: C Corporation Franchise Tax and Income Tax Liability by Industry Sector
Table 5.2: C Corporation Income Tax Calculation Detail for Certain Industry Sectors

S Corporation.....38
Table 5.3: S Corporation Franchise Tax and Income Tax Liability by Industry Sector
Table 5.4: S Corporation NC Net Taxable Income by Industry Sector
Table 5.5: S Corporation NC Net Taxable Income (Positive Values Only) by Industry Sector

INTRODUCTION

This report contains statistics concerning business franchise and income taxes imposed on corporations, limited liability companies and related businesses under the Revenue Laws of North Carolina. It is designed to provide legislators, public officials, tax professionals, researchers, and other interested citizens of North Carolina with information about the characteristics of corporate taxpayers and how these taxpayers contribute to the State's tax revenues. The report includes both historical series of data and detailed reports for tax returns with tax years beginning in 2022(TY22)¹.

This report is based upon data submitted by corporations and limited liability companies filing as corporations on the CD-405, CD-401S, and CD-425 forms. The data were retrieved from the Department's Integrated Tax Administration System (ITAS) in November 2024. All returns may not have been audited by this date. As such, the data may reflect errors made by taxpayers. The Revenue Research staff did examine the downloaded data in order to correct errors that were determined to have resulted from scanning the returns into ITAS and some revised amounts.

Corporate tax returns are included in this report if they were filed for calendar year 2022 or for a tax year beginning sometime in 2022. Short-year returns are included if their tax period begins in 2022.

The relevant 2022 corporate tax forms and instructions are available for review on the following Department of Revenue website: www.ncdor.gov/taxes/corporate-income-franchise-tax/corporate-tax-forms-and-instructions

This report is divided into five sections. Section I presents information related to the business franchise tax; Section II has information related to the corporation income tax; Section III presents data on the trends in these tax returns from tax year 2017 through tax year 2022; Section IV compares tax liabilities by the start month of the corporations' tax years; and Section V breaks out key statistics by major industry sectors.

The following table presents key summary statistics for the business franchise and corporation income taxes for TY22.

	TY 2022	
	C corporations	S corporations
Number of returns	94,476	193,028
Number of returns with nonzero net franchise tax	79,348	184,047
Amount of net franchise tax	\$709,800,388	\$83,853,976
Number of returns with nonzero net income tax	33,815	42,511
Amount of net income tax	\$1,231,770,034	\$1,080,256,553

Note: Net tax liability is tax liability minus tax credits taken. Taxpayers may have negative net franchise tax liability due to the usage of certain refundable tax credits. Note that S corporations only report income tax liability for nonresident shareholders who allow the company to file a composite return on their behalf or for resident and nonresident shareholders if the company elects to be a Taxed S Corporation.

¹ Franchise tax statistics in this report are referred to as tax year 2022 because they are reported on 2022 corporate income tax returns. However, they are technically tax year 2023 liabilities.

OVERVIEW OF TAXES COVERED BY THIS REPORT

The following descriptions of the General Business Franchise Tax and Corporation Income Tax reflect the tax law in effect for tax periods beginning in 2022 (2023 for Franchise Tax). These descriptions are designed to highlight the general attributes of the taxes, as well as changes from prior years. They are not official interpretations of the Revenue Laws and should not be relied upon as representing the position of the Department of Revenue.

FRANCHISE TAX

The general business franchise tax is levied on business corporations doing business in the State (including those electing S corporation status). The tax is imposed on a taxpayer's asset base, which is the amount of the corporation's net worth, apportioned to the State (using the apportionment formula for corporation income).² The net worth of a foreign entity filing a federal income tax return is based on the value of the assets in the United States. The tax is \$1.50 per \$1,000 of taxable assets. Beginning with tax periods starting on or after Jan. 1, 2019, S corporations are subject to a \$200 tax on the first \$1 million in taxable assets and \$1.50 per \$1,000 of the amount over \$1 million.

Limited Liability Companies (LLC's) that elect to be taxed as corporations for federal income tax purposes became liable for franchise tax beginning in 2007 (as reported on TY2006 returns). LLC's that choose to file as S corporations in North Carolina became liable for tax beginning in 2009. Partnerships that elect to be taxed as corporations for federal income tax purposes became liable for franchise tax beginning in 2019.

The minimum franchise tax is \$200. The tax on holding companies that receive more than 80% of their gross income from subsidiaries is capped at \$150,000. For tax years beginning on or after Jan. 1, 2020, certain corporations that own copyrights, patents, or trademarks that represent more than 80% of their total assets or receive more than 80% of their gross income from royalties and license fees are also eligible to be a holding company.

Beginning for taxable year on or after Jan. 1, 2021, the addition of affiliated indebtedness for the net worth base includes debt that creates net interest expense but does not create qualified interest expense.

For disaster declarations made on or after August 1, 2019, certain non-resident businesses that derived income in North Carolina solely from performing disaster-related work during a disaster response period at the request of a critical infrastructure company are exempt from franchise tax.

² In taxable years beginning before Jan. 1, 2023, the tax base for the franchise tax was determined using the largest of three alternative bases. The other bases were (a) 55% of the appraised value of property in the State subject to local taxation; or (b) the amount of investment in real and tangible personal property in the State, less accumulated depreciation, depletion, and amortization with respect to N.C. tangible property.

CORPORATION INCOME TAX

The corporation income tax applies to corporations that do business in North Carolina and that do not elect S corporation status. The calculation of taxable income begins with Federal Taxable Income before Net Operating Loss. Additions to income are required for items including taxes based on income, capital loss carry-over, certain royalties paid to related members, contributions, and expenses attributable to income not taxed. Deductions from income are allowed for items including U.S. obligation interest, capital loss not deducted on the Federal return, and certain royalty payments received from related members.

Beginning in tax year 2016, a new statute limited the deduction for the amount of net interest paid or accrued to a related member to the greater of (1) 15% of the taxpayer's adjusted taxable income and (2) the taxpayer's proportionate share of interest ultimately paid to an unrelated entity. This limitation does not apply if the related member is taxed on the interest income in North Carolina or another jurisdiction or if the related member is a bank.

Also effective for tax years beginning in 2016 and after, the adjustment for expenses related to the dividends-received deduction has been simplified. For all corporate taxpayers, the adjustment for expenses may not exceed an amount equal to 15% of the dividends. In prior years, bank holding companies and electric power holding companies were eligible to receive a credit against the increased tax liability as a result of this adjustment.³

Decoupling from federal bonus depreciation and Section 179 expensing. A taxpayer must add back 85% of the amount of bonus depreciation taken for federal income tax purposes during the tax year. This amount can then be deducted in equal installments over the next 5 tax years. The State also adopted lower limits on Section 179 expensing, requiring an 85% addback of excess federal expensing over State limits.

Decoupling from federal Tax Cut and Jobs Act (TCJA) provisions. In addition to the decoupling related to bonus depreciation and Section 179 expensing, North Carolina also decoupled from several other TCJA provisions for tax year 2018 and forward. Among these are the Opportunity Zone Fund adjustments and provisions related to foreign-sourced income of multinational corporations.

Provisions related to recent federal legislation. North Carolina does not require an addback of income for expenses that were related to the forgiveness of a loan related to the Paycheck Protection Program and other pandemic-related assistance.⁴ North Carolina decoupled from the provision to increase the limit on deductions for business interest income from 30% to 50% of a taxpayer's adjusted taxable income for tax years 2019 and 2020.⁵ For taxable years beginning on or after Jan. 1, 2020, North Carolina allows a deduction from federal taxable income for amounts that were not allowed because a federal employee retention tax credit was claimed.

Deduction for certain pandemic-related or economic incentive grants. North Carolina allows a deduction from federal taxable income for amounts received under the State's Business Recovery Grant Program, the ReTOOLNC grant program and certain rent and utility assistance for taxable years beginning on or after Jan. 1, 2020.⁶ Effective for tax years beginning on or after Jan. 1, 2019, a taxpayer may deduct

³ In general, any expenses related to non-taxed income should be added back to N.C. taxable income.

⁴ This provision was included in S.L. 2021-180, ratified on Nov. 18, 2021.

⁵ The additions to taxable income under this provision can be deducted in equal annual installments beginning in 2021.

⁶ See G.S. 105-130.5(b)(31a), and S.L. 2021-180, S.L. 2022-6 and S.L. 2023-46 for related legislation.

amounts received as an economic incentive under the Job Maintenance and Capital Development Fund, the Jobs Development Investment Grant Program, or the One North Carolina Fund.

Critical infrastructure disaster relief exception. For disaster declarations made on or after August 1, 2019, certain non-resident businesses that derived income in North Carolina solely from performing disaster-related work during a disaster response period at the request of a critical infrastructure company are exempt from franchise tax. However, a corporation subject to North Carolina income tax must include in its State taxable income payments to affiliates or subsidiaries that are exempt under the disaster relief provision. Since 2017, taxpayers may deduct from federal taxable income for amounts paid from the State Emergency Response and Disaster Relief Reserve Fund for hurricane relief or assistance to the extent included in federal taxable income.

Apportionment of multi-state business income. The portion of adjusted income that is subject to apportionment, less contributions to donees in other States, is apportioned to North Carolina based upon North Carolina's share of the corporation's sales.⁷ For taxable years beginning on or after Jan. 1, 2020, sales in the state are derived using **market-based sourcing**. Special rules apply to wholesale content distributors and banks. Alternative apportionment formulas apply to interstate carriers, railroads, air and water transportation companies, pipeline companies and electric power companies.

The Secretary of Revenue has the authority to approve an alternative method of apportionment if the taxpayer can establish evidence that the statutory formula operates to subject a greater portion of the corporation's income to tax than is attributable to its business in the State. Income not subject to apportionment is allocated to North Carolina if the business activity generating the income is located in North Carolina.

Total income allocated and apportioned to North Carolina may be reduced by the value of a corporation's State net loss, percentage depletion over cost depletion, and qualified contributions to North Carolina donees. The net taxable income is taxed at a rate of 2.5%.⁸

Eligible tax credits. Several business incentive tax credits had been repealed in recent years. Tax credits remaining include a credit for investing in a major recycling facility, a credit for constructing a cogenerating power plant, a credit for constructing a railroad intermodal facility, and mill and historic rehabilitation tax credits. Except for the credit for constructing a cogenerating power plant, these credits are also available to be used against franchise tax liabilities.

Under NC G.S. 105-130.5(a)(10), if a C corporation takes a tax credit against the income tax, it must add this amount to its taxable income.

S corporations must file returns at the corporation level, but the income tax is generally paid by shareholders through the individual income tax. S corporations do sometimes make payments on behalf of nonresident shareholders. In addition, for taxable years beginning on or after Jan. 1, 2022, an S corporation may elect to be a **Taxed S Corporation under the Pass-Through Entity Tax**.⁹ This allows the S corporation to pay tax on all taxable income passed through to resident and nonresident shareholders. Information concerning the income and tax liabilities of S corporations is included in this report. During

⁷ In prior years, the apportionment factor was based on a combination of sales, property and payroll shares. The sales-only apportionment factor was phased in between 2016 and 2018.

⁸ The corporate income tax rate has been 2.5% since Tax Year 2019; it was 3.0% in Tax Years 2017 and 2018, 4.0% in Tax Year 2016, 5.0% in Tax Year 2015, 6.0% in Tax Year 2014, and 6.9% in prior tax years.

⁹ For more information, refer to [NCDOR Important Notice Regarding the Pass-Through Entity Tax](#)

Fiscal Year 2022-23, income tax transactions related to S corporations have begun to be transferred to the individual income tax category.

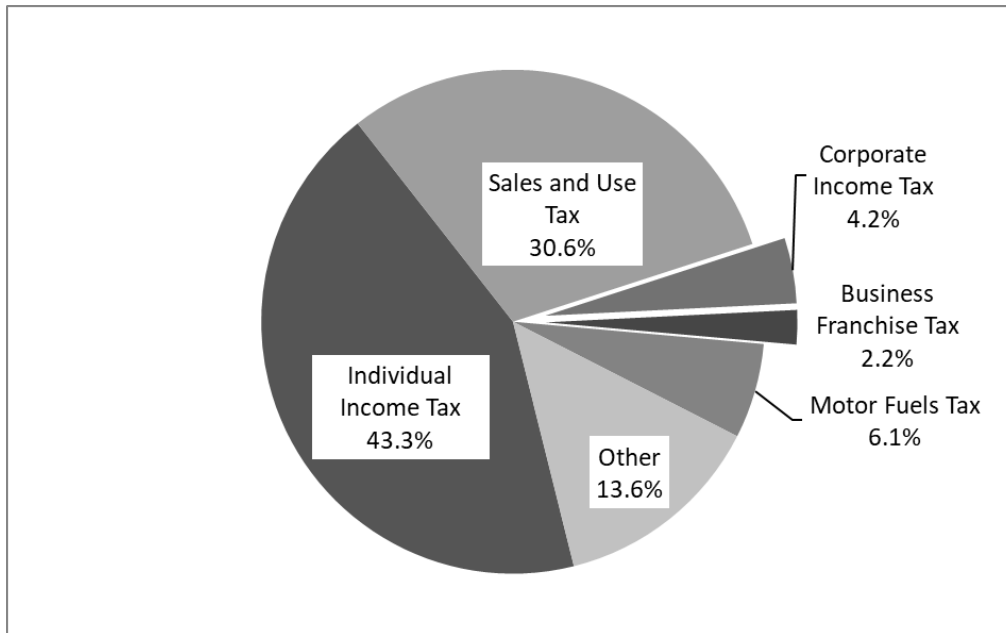
For taxable years beginning in 2022, Taxed S Corporations with resident shareholders may claim a tax credit for income tax paid to another state or country.

FRANCHISE AND CORPORATE INCOME TAXES AS A SHARE OF TOTAL STATE TAX REVENUES

The following chart illustrates the relative importance of corporation tax revenues to overall State tax collections. State tax revenues in Fiscal Year 2022-23 were \$38.9 billion. (Licenses and fees are included in this amount, but unemployment insurance contributions are not.)¹⁰ Net collections for the corporation income tax and the business franchise tax accounted for \$2.5 billion (6.4%) of the total.

The combined corporation taxes included in this report comprise the third largest category of revenues for the State government, surpassing motor fuels taxes, highway use taxes, motor vehicle licenses, the insurance gross premium tax, alcoholic beverage taxes and tobacco products taxes. Only the individual income tax and the sales & use tax generated more revenue.

Composition of Net State Tax Revenues by Tax Category, Fiscal Year 2022-23



Note: The “other” category includes the highway use tax (3.0% of total), insurance premiums tax (3.0%), motor vehicle licenses (2.6%), alcoholic beverage tax (1.5%), and tobacco products tax (0.7%), among others. Unemployment insurance contributions are not included in this graph.

¹⁰ Source: U.S. Census Bureau, Annual Survey of State Government Tax Collections. Additional information was prepared by the N.C. Department of Revenue.

C CORPORATIONS

Overall, the net franchise tax liability for the C corporation returns in this report totaled \$709.8 million. (Net tax liability is the amount of tax liability after deducting tax credits.) After excluding filers that were not liable for franchise tax (15,119 returns), the average amount due from the remaining 79,357 returns was \$8,945. Sixty-two percent of these taxpayers owed \$200 or less; and 95% of taxpayers owed \$23,189 or less.

In order to provide a distributional analysis for the franchise tax, returns have been broken out into 8 brackets based on their franchise taxable amount. The first two brackets (\$0 to \$23,667; \$34,668 to \$133,667) represent those taxpayers that would have the minimum \$200 amount of tax due before credits or were exempt from the franchise tax. The highest bracket (\$100,000,001+) includes taxpayers whose tax liability before credits would be at least \$150,000.

Table 1.1 shows the distribution of returns based on which tax base was used to calculate the taxable amount. Approximately forty-six percent (46.4%) of the returns listed no assets because: 1) the taxpayer was exempt from franchise tax (mainly non-profit entities); 2) the tax return was a final return; or 3) the taxpayer had no positive assets.¹¹

**Table 1.1
C Corporation Returns by Tax Base and Taxable Amount
Tax Year 2022**

Franchise Taxable Amount	Number of C Corporation Returns		
	No Assets Listed	Net Worth	Total
\$0-\$23,667	43,813	8,798	52,611
\$23,668-\$133,667	-	10,928	10,928
\$133,668-\$1,000,000	-	14,738	14,738
\$1,000,001-\$5,000,000	-	8,417	8,417
\$5,000,001-\$20,000,000	-	4,412	4,412
\$20,000,001-\$40,000,000	-	1,358	1,358
\$40,000,001-\$100,000,000	-	1,109	1,109
\$100,000,001+	-	903	903
Total	43,813	50,663	94,476

Note: Amounts are based partially on unaudited returns. The amounts in the table include tax returns that had no tax liability before tax credits were applied. "No Assets" may include negative amounts of net worth.

¹¹ There were 10,866 returns reporting that they were tax-exempt; of these 9,614 reported no assets. There were 4,375 returns with a final return indicator, of which 4,274 reported no assets. (54 of these returns had both indicators.)

**SECTION I
FRANCHISE TAX**

Table 1.2 compares the net franchise tax liability by taxable amount categories. The taxpayers with no assets listed made up less than one percent (0.8%) of the total net tax liability.

**Table 1.2
C Corporation Net Franchise Tax Liability by Tax Base and Taxable Amount
Tax Year 2022**

Franchise Taxable Amount	Net Tax Liability (\$)		Total
	No Assets Listed	Net Worth	
\$0-\$23,667	5,784,195	1,674,410	7,458,605
\$23,668-\$133,667	-	2,071,123	2,071,123
\$133,668-\$1,000,000	-	9,035,133	9,035,133
\$1,000,001-\$5,000,000	-	29,431,223	29,431,223
\$5,000,001-\$20,000,000	-	66,417,771	66,417,771
\$20,000,001-\$40,000,000	-	56,609,652	56,609,652
\$40,000,001-\$100,000,000	-	103,258,173	103,258,173
\$100,000,001+	-	435,518,708	435,518,708
Total	5,784,195	704,016,193	709,800,388

Note: Figures are based partially on unaudited returns.

Table 1.3 and Figure 1.4 provide the distribution of C corporation returns and net franchise tax liability by taxable amount. Taxpayers with franchise taxable amount of at least \$40 million made up only 2.13% of the returns and paid 75.9% of net franchise tax.

**Table 1.3
C Corporation Returns and Net Franchise Tax Liability by Franchise Taxable Amount
Tax Year 2022**

Franchise Taxable Amount	Number of Returns	Share of Total	Net Franchise Tax Liability (\$)	Share of Total
\$0-\$23,667	52,611	55.7%	7,458,605	1.1%
\$23,668-\$133,667	10,928	11.6%	2,071,123	0.3%
\$133,668-\$1,000,000	14,738	15.6%	9,035,133	1.3%
\$1,000,001-\$5,000,000	8,417	8.9%	29,431,223	4.1%
\$5,000,001-\$20,000,000	4,412	4.7%	66,417,771	9.4%
\$20,000,001-\$40,000,000	1,358	1.4%	56,609,652	8.0%
\$40,000,001-\$100,000,000	1,109	1.2%	103,258,173	14.5%
\$100,000,001+	903	1.0%	435,518,708	61.4%
Total	94,476	100.0%	709,800,388	100.0%

Note: Figures are based partially on unaudited returns. Breakout percentages may not add to totals due to rounding.

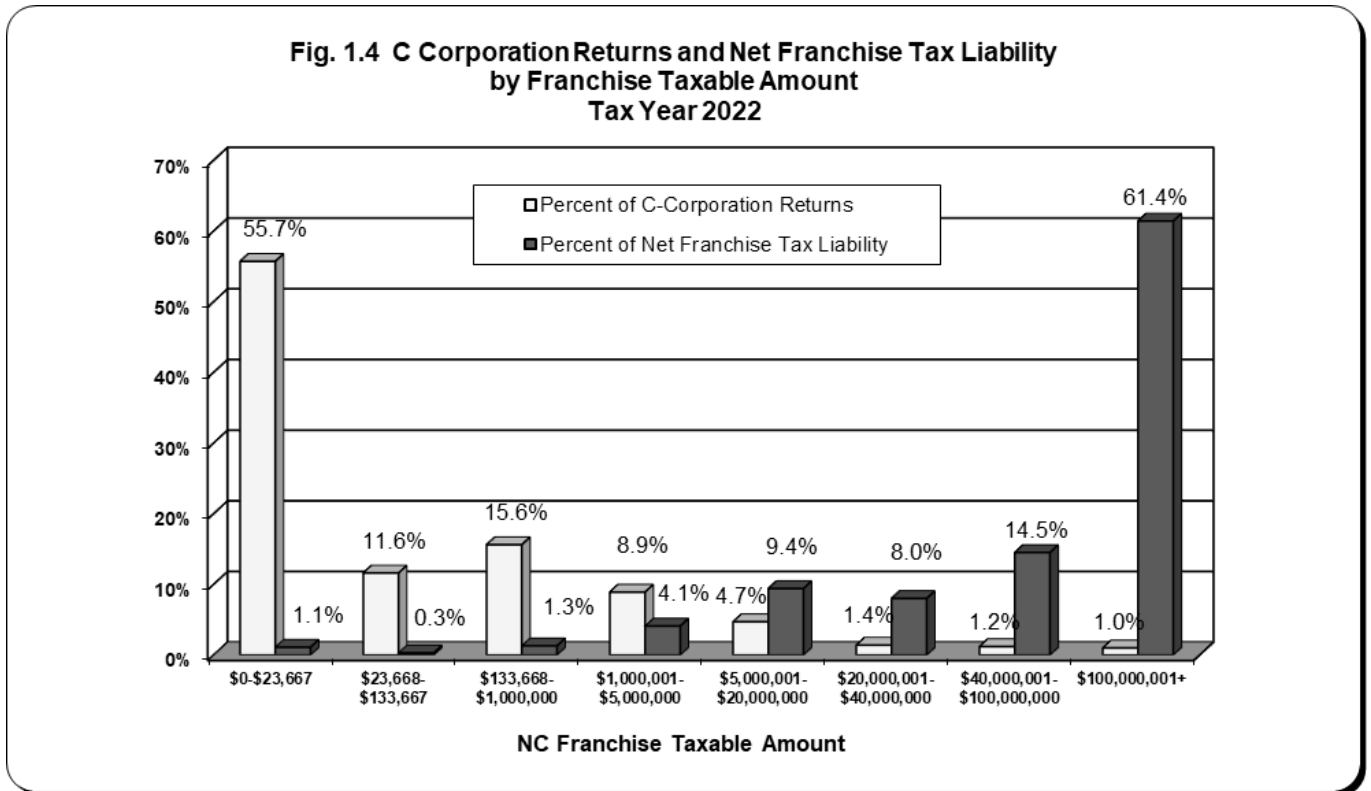


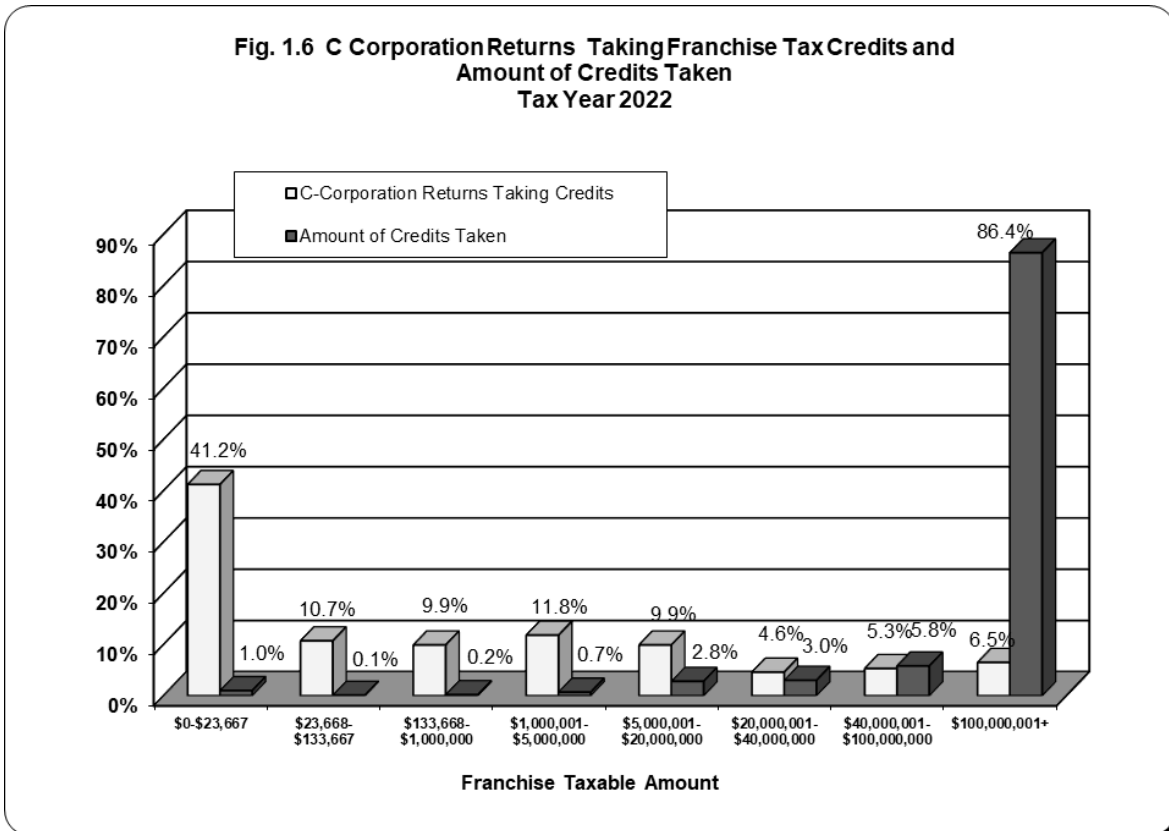
Table 1.5 and Figure 1.6 on the following page compare the number of C corporation returns taking franchise tax credits and amount of credits taken by taxable amount brackets. Only 710 (0.9%) of the taxable returns took credits.¹² Returns with franchise taxable amount greater than \$100 million comprised only 6.5% of the returns taking credits, but these taxpayers had 86.4% of the credit amount taken.

¹² There were also 27 returns with no tax liability but were claiming \$54,219 in refundable short-period credits. These taxpayers are included in Table 1.5

**Table 1.5
C Corporation Returns Taking Franchise Tax Credits and Amount of Credits Taken
Tax Year 2022**

Franchise Taxable Amount	Number of Returns Taking Credits	Share of Total	Amount of Credits Taken (\$)	Share of Total
\$0-\$23,667	304	41.2%	223,996	1.0%
\$23,668-\$133,667	79	10.7%	11,877	0.1%
\$133,668-\$1,000,000	73	9.9%	37,005	0.2%
\$1,000,001-\$5,000,000	87	11.8%	172,021	0.7%
\$5,000,001-\$20,000,000	73	9.9%	654,238	2.8%
\$20,000,001-\$40,000,000	34	4.6%	708,382	3.0%
\$40,000,001-\$100,000,000	39	5.3%	1,358,401	5.8%
\$100,000,001+	48	6.5%	20,186,549	86.4%
Total	737	100.0%	23,352,469	100.0%

Note: Figures are based partially on unaudited returns. Breakout percentages may not add to totals due to rounding.



**SECTION I
FRANCHISE TAX**

Table 1.7 shows the amount of franchise tax credits by credit type and franchise taxable amount. On average, credits offset 3.3% of tax liability for taxpayers whose taxable amount was above \$5 million and 0.9% for those with lower taxable amounts.

**Table 1.7
C Corporation Franchise Tax Credits Taken by Credit Type and Franchise Taxable Amount
Tax Year 2022**

Franchise Tax Credits	All Returns		Taxable Amount ≤\$5,000,000		Taxable Amount \$5,000,001+	
	Number of Credits	Amount Claimed (\$)	Number of Credits	Amount Claimed (\$)	Number of Credits	Amount Claimed (\$)
Short Period Credit for Change in Income Year	289	3,647,979	178	340,142	111	3,307,837
+ Miscellaneous Credits Taken*	318	1,866,629	303	53,009	15	1,813,620
+ Credits Subject to 50% Limit Taken	138	17,837,861	69	51,748	69	17,786,113
= Credits Taken	737	23,352,469	543	444,899	194	22,907,570

* Misc. credits include Renovating an Historic Mill Facility, Rehabilitating an Historic Property, Recycling Facilities, and Additional Annual Report Fee Paid.

All available credits may not have been taken if non-refundable credits exceeded tax liability for a given taxpayer.

Note: Confidentiality prevents the disclosure of the individual credits and credit amounts. Figures are based on both audited and unaudited returns. A given taxpayer may be claiming credits under more than one category.

S CORPORATIONS

Table 1.8 shows the distribution of S corporation returns by franchise tax base. The net worth base was used on 66.0% of 2022 tax year returns. Thirty-four percent (34.0%) of the returns listed no assets because: 1) the taxpayer was exempt from franchise tax; 2) the tax return was a final return; or 3) the taxpayer had no positive assets. There were 185,427 S corporations with tax liability before tax credits were applied.

Taxpayers with no tax liability are those submitting a final return, for which no tax would be due. There were 7,580 nontaxable returns with a final return indicator checked. Of these, 6,910 did not list assets. Forty-seven (47) of the nontaxable returns claimed \$19,651 in refundable short-period tax credits.

**Table 1.8
S Corporation Returns by Tax Base and Taxable Amount
Tax Year 2022**

Franchise Taxable Amount	Number of S Corporation Returns		
	No Assets Listed	Net Worth	Total
\$0-\$23,667	65,560	41,587	107,147
\$23,668-\$133,667	-	41,630	41,630
\$133,668-\$1,000,000	-	34,848	34,848
\$1,000,001-\$5,000,000	-	7,656	7,656
\$5,000,001-\$20,000,000	-	1,469	1,469
\$20,000,001-\$40,000,000	-	184	184
\$40,000,001+	-	94	94
Total	65,560	127,468	193,028

Note: Figures are based partially on unaudited returns. The amounts in the table include tax returns that had no tax liability before tax credits were applied.

Table 1.9 provides net franchise tax liability. Taxpayers with more than \$5 million in net worth incurred 45.0% of the total net tax liability.

**Table 1.9
S Corporation Net Franchise Tax Liability by Tax Base and Taxable Amount
Tax Year 2022**

Franchise Taxable Amount	Net Tax Liability (\$)		Total
	No Assets Listed	Net Worth	
\$0-\$23,667	10,887,742	7,498,932	18,386,674
\$23,668-\$133,667	-	7,536,265	7,536,265
\$133,668-\$1,000,000	-	6,387,408	6,387,408
\$1,000,001-\$5,000,000	-	13,824,287	13,824,287
\$5,000,001-\$20,000,000	-	18,173,102	18,173,102
\$20,000,001-\$40,000,000	-	7,435,616	7,435,616
\$40,000,001+	-	12,110,624	12,110,624
Total	10,887,742	72,966,234	83,853,976

Note: Figures are based partially on unaudited returns and may be subject to taxpayer error.

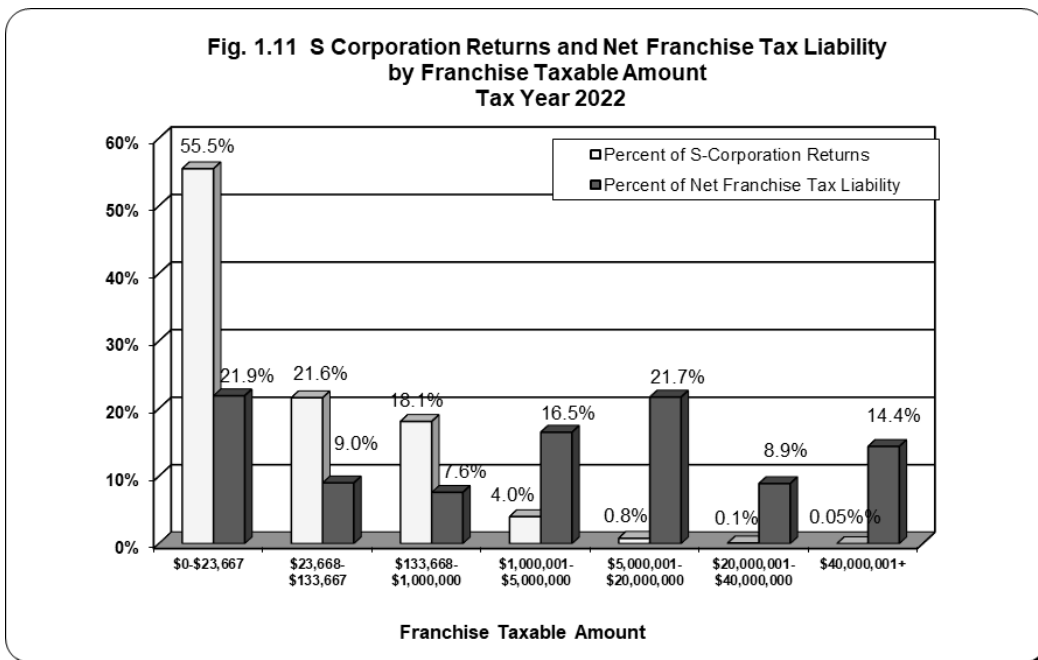
**SECTION I
FRANCHISE TAX**

Table 1.10 and Figure 1.11 compare the distribution of S corporation returns and net franchise tax liability. The average tax was \$452 for taxable returns, and 95.0% of taxable returns had a net tax liability of \$200 or less. Forty-six (46) taxpayers had a net tax liability above \$100,000.

**Table 1.10
S Corporation Returns and Net Franchise Tax Liability by Franchise Taxable Amount
Tax Year 2022**

Franchise Taxable Amount	Number of Returns	Share of Total	Net Franchise Tax Liability (\$)	Share of Total
\$0-\$23,667	107,147	55.5%	18,386,674	21.9%
\$23,668-\$133,667	41,630	21.6%	7,536,265	9.0%
\$133,668-\$1,000,000	34,848	18.1%	6,387,408	7.6%
\$1,000,001-\$5,000,000	7,656	4.0%	13,824,287	16.5%
\$5,000,001-\$20,000,000	1,469	0.8%	18,173,102	21.7%
\$20,000,001-\$40,000,000	184	0.1%	7,435,616	8.9%
\$40,000,001+	94	0.0%	12,110,624	14.4%
Total	193,028	100.0%	83,853,976	100.0%

Note: Figures are based partially on unaudited returns. Breakout percentages may not add to totals due to rounding.



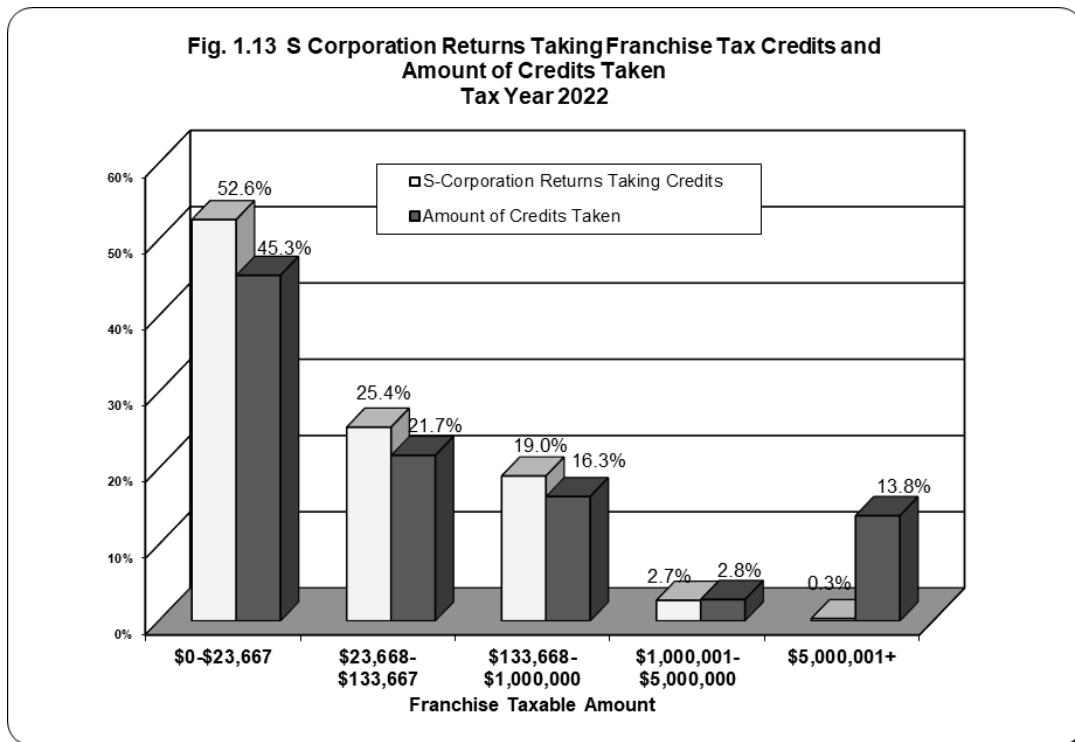
**SECTION I
FRANCHISE TAX**

Table 1.12 and Figure 1.13 show the number of returns taking franchise tax credits and amount of credits taken. Returns with a franchise taxable amount greater than \$20 million comprised 0.1% of the returns taking credits and 25.5% of the credits taken.

**Table 1.12
S Corporation Returns Taking Franchise Tax Credits and Amount of Credits Taken
Tax Year 2022**

Franchise Taxable Amount	Number of Returns Taking Credits	Share of Total	Amount of Credits Taken (\$)	Share of Total
\$0-\$23,667	8,938	52.6%	1,573,326	45.3%
\$23,668-\$133,667	4,306	25.4%	756,135	21.7%
\$133,668-\$1,000,000	3,222	19.0%	567,992	16.3%
\$1,000,001-\$5,000,000	460	2.7%	98,741	2.8%
\$5,000,001+	53	0.3%	480,545	13.8%
Total	16,979	100.0%	3,476,739	100.0%

Note: Figures are based partially on unaudited returns. Breakout percentages may not add to totals due to rounding.



**SECTION I
FRANCHISE TAX**

Table 1.14 shows the amount of franchise tax credits by credit type and franchise taxable amount.

**Table 1.14
S Corporation Franchise Tax Credits Taken by Credit Type
Tax Year 2022**

Franchise Tax Credits	All Returns	
	Number of Credits	Amount Claimed (\$)
Short Period Credit for Change in Income Year	178	51,948
+ Miscellaneous Credits Claimed*	16,939	3,356,496
- Misc. Credits Not Taken **	--	(367,354)
+ Credits Subject to 50% Limit Taken	19	435,649
= Credits Taken	16,979	3,476,739

* This category includes LLC Additional Annual Report Fee and Historic Rehabilitation Credits

** Credits were not taken against tax because taxpayer's liability was less than the amount of credits claimed or because of taxpayer error.

Note: Confidentiality prevents the disclosure of the individual credits and credits amount. Figures are partially based on unaudited returns. A taxpayer may be claiming credits in more than one category.

C & S CORPORATIONS COMBINED

Figure 1.15 compares the number of returns and net franchise tax liability for all C and S corporations combined. Taxpayers with franchise taxable amount over \$20 million made up 1.3% of the returns but incurred 77.5% of net franchise tax liability.

**Table 1.15
C & S Corporation Returns and Net Franchise Tax Liability by Franchise Taxable Amount
Tax Year 2022**

Franchise Taxable Amount	Number of Returns	Share of Total	Net Franchise Tax Liability (\$)	Share of Total
\$0-\$23,667	159,758	55.6%	25,845,279	3.3%
\$23,668-\$133,667	52,558	18.3%	9,607,388	1.2%
\$133,668-\$1,000,000	49,586	17.2%	15,422,541	1.9%
\$1,000,001-\$5,000,000	16,073	5.6%	43,255,510	5.5%
\$5,000,001-\$20,000,000	5,881	2.0%	84,590,873	10.7%
\$20,000,001-\$40,000,000	1,542	0.5%	64,045,268	8.1%
\$40,000,001+	2,106	0.7%	550,887,505	69.4%
Total	287,504	100.0%	793,654,364	100.0%

Note: Figures are based partially on unaudited returns. Breakout percentages may not add to totals due to rounding.

There were a total of 264,784 taxable returns included in Table 1.15. Other taxpayers were exempt from franchise tax liability due to either a nonprofit exemption or a final return.

**SECTION I
FRANCHISE TAX**

Table 1.16 shows the number of C and S corporation returns that took franchise tax credits and the amount of credits taken. Only 17,642 of the 264,784 taxable corporations took credits in tax year 2022.¹³ In addition, there were 74 nontaxable final returns that claimed \$73,870 in short-year refundable tax credits.

**Table 1.16
C & S Corporation Franchise Tax Credits Taken by Credit Categories
Tax Year 2022**

Franchise Tax Credits	All Returns	
	Number of Credits	Amount Claimed (\$)
Short Period Credit for Change in Income Year	467	3,699,927
+ Miscellaneous Credits Taken*	17,117	4,855,771
+ Credits Subject to 50% Limit Taken	157	18,273,510
= Credits Taken	17,716	26,829,208

* Misc. credits include Renovating an Historic Mill Facility, Rehabilitating an Historic Property, Recycling Facilities, and Additional Annual Report Fee Paid.
All available credits may not have been taken if non-refundable credits exceeded tax liability for a given taxpayer.

Note: Confidentiality prevents the disclosure of the individual credits and credit amounts. Figures are based on both audited and unaudited returns. A taxpayer may be claiming credits under more than one category.

¹³ The 264,784 taxable corporations include 36 C corporations and 1,427 S corporations that had zero net franchise tax because their tax credits exactly offset their tax liability.

C CORPORATIONS

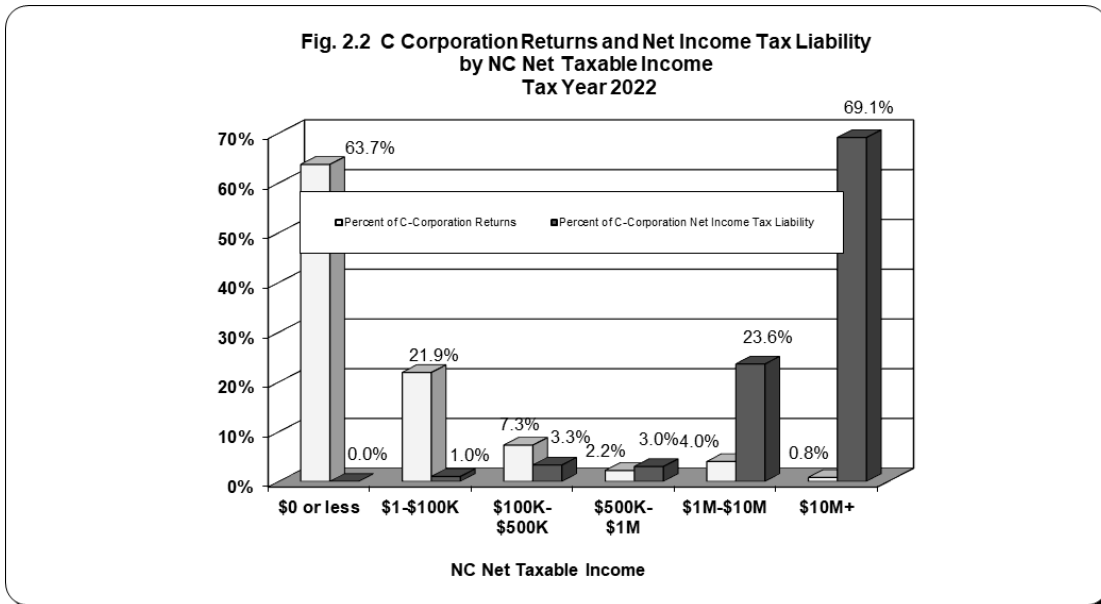
Of the 94,476 tax returns that were filed for tax years beginning in 2022, 24,334 (36.3%) had positive NC taxable income and 33,815 (35.8%) of them had a net tax liability (i.e., a positive tax liability after credits were applied).

Table 2.1 and Figure 2.2 show the distribution of C corporation returns and net income tax liability by North Carolina net taxable income (as calculated on Line 22 of Form CD-405, Schedule B).

**Table 2.1
C Corporation Returns and Net Income Tax Liability by NC Net Taxable Income
Tax Year 2022**

NC Net Taxable Income	Number of Returns	Percent	Cumulative Percent	Net Income Tax Liability [\$]	Percent	Cumulative Percent
\$0 or less	60,142	63.7%	63.7%	0	--	--
\$1-\$15,000	11,098	11.7%	75.4%	1,301,104	0.1%	0.1%
\$15,001-\$30,000	3,437	3.6%	79.0%	1,880,432	0.2%	0.3%
\$30,001-\$50,000	2,716	2.9%	81.9%	2,661,652	0.2%	0.5%
\$50,001-\$100,000	3,515	3.7%	85.6%	6,300,136	0.5%	1.0%
\$100,001-\$500,000	6,895	7.3%	92.9%	40,619,349	3.3%	4.3%
\$500,001-\$1,000,000	2,110	2.2%	95.2%	37,235,894	3.0%	7.3%
\$1,000,001-\$10,000,000	3,769	4.0%	99.2%	291,174,930	23.6%	30.9%
\$10,000,001+	794	0.8%	100.0%	850,596,537	69.1%	100.0%
Total	94,476	100.0%	--	1,231,770,034	100.0%	--

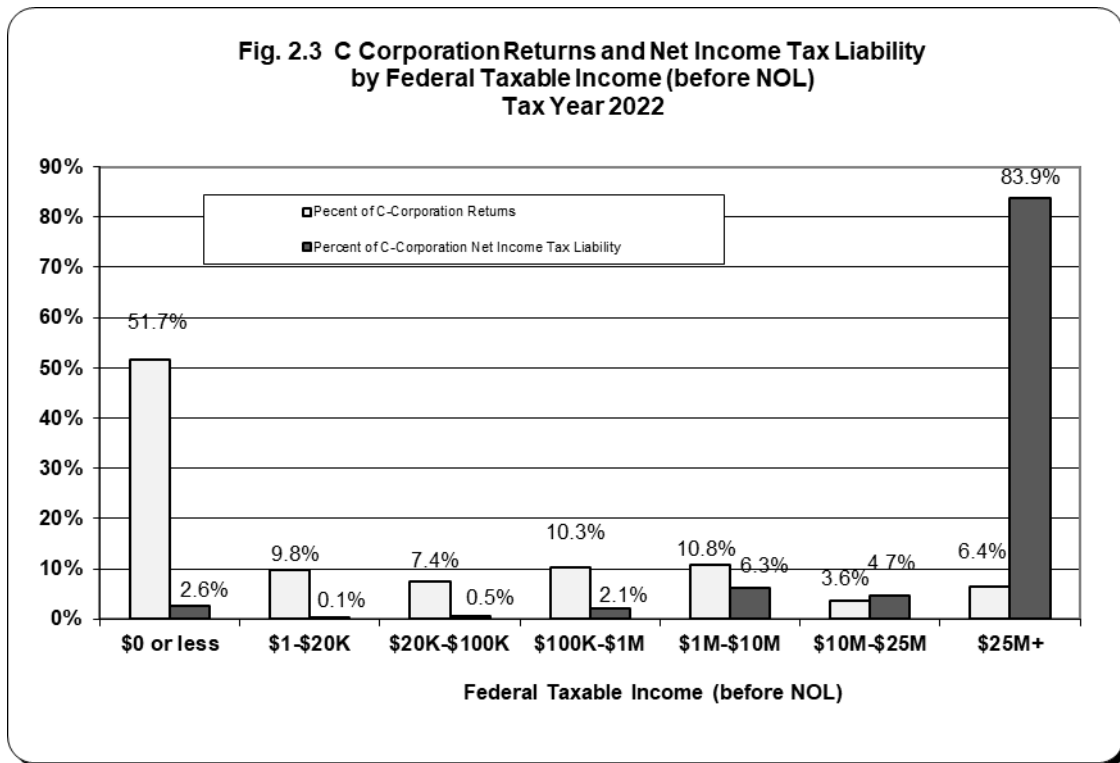
Note: Figures are partially based on unaudited returns. Breakout percentages may not add to totals due to rounding.



As shown in Table 2.1 and Figure 2.2 on the previous page, C corporations with a North Carolina Taxable Income of over \$1 million were liable for 92.7% of the C corporation income tax liability, and made up 4.8% of the corporations filing returns. Approximately 69% of the total C corporation net income tax liability was attributable to the 794 corporations with North Carolina Taxable Income of over \$10 million.

Figure 2.3 provides the distribution of returns and tax liability by federal taxable income *before Net Operating Loss (NOL) carryforwards* and also before subtracting income apportionable or allocable to other states. Therefore, this distribution gives a break-down of income based on a company's current-year national taxable income.

As shown in Figure 2.3, corporations with federal taxable income (before NOL) over \$25 million paid nearly eighty-four percent of North Carolina net income tax.



**SECTION II
INCOME TAX**

Table 2.4 compares the distribution of returns by apportionment percentage and federal taxable income. A corporation's apportionment percentage is used to determine how much of the corporation's total apportionable income may be taxed by North Carolina. For most types of companies, the percentage is based on how much of the corporation's sales are in North Carolina.

**Table 2.4
C Corporation Returns by Federal Taxable Income (Before NOL) and
Apportionment Percentage
Tax Year 2022**

Federal Taxable Income (before NOL)	NC Apportionment Percentage					Total
	<5%	5% - 24%	25% - 49%	50% - 99%	100%	
\$0 or less	18,856	2,615	493	637	26,243	48,844
\$1 - \$20,000	781	183	69	125	8,103	9,261
\$20,001 - \$100,000	1,483	367	82	178	4,856	6,966
\$100,001 - \$ 1,000,000	4,916	1,102	236	460	3,052	9,766
\$1,000,001 - \$10,000,000	7,761	1,448	226	254	548	10,237
\$10,000,001-\$25,000,000	2,782	462	45	35	40	3,364
\$25,000,001+	5,287	664	42	27	18	6,038
Total	41,866	6,841	1,193	1,716	42,860	94,476

Note: Figures are based partially on unaudited returns.

Table 2.5 and Figure 2.6 show the net income tax liability by apportionment percentage and federal taxable income.

**Table 2.5
C Corporation Net Income Tax Liability by Federal Taxable Income (Before NOL) and
Apportionment Percentage
Tax Year 2022**

Federal Taxable Income (before NOL)	NC Apportionment Percentage					Total
	<5% [\$]	5% - 24% [\$]	25% - 49% [\$]	50% - 99% [\$]	100% [\$]	
\$0 or less	22,390,360	6,134,600	546,305	484,286	2,181,832	31,737,383
\$1 - \$20,000	35,172	10,378	5,402	33,158	1,382,936	1,467,046
\$20,001 - \$100,000	70,660	89,386	42,948	211,675	5,171,243	5,585,912
\$100,001 - \$ 1,000,000	1,085,364	1,351,129	687,553	3,340,685	18,990,504	25,455,235
\$1,000,001 - \$10,000,000	12,553,921	12,647,362	6,806,269	14,924,439	30,340,499	77,272,490
\$10,000,001-\$25,000,000	17,738,297	16,092,662	5,250,618	8,969,279	9,285,492	57,336,348
\$25,000,001+	673,275,110	258,421,489	50,029,010	38,779,060	12,410,951	1,032,915,620
Total	727,148,884	294,747,006	63,368,105	66,742,582	79,763,457	1,231,770,034

Note: Figures are based partially on unaudited returns.

SECTION II INCOME TAX

C corporations that operated exclusively within North Carolina, and so apportion all their income to the state, made up 45.4% of the returns filed for tax year 2022. These corporations accounted for only 6.5% of the corporation income tax liability.

The State receives a significant portion of its corporation income taxes from a small number of large multi-state firms. Approximately 75.6% of corporation income tax was attributable to corporations with Federal Taxable Income of over \$25 million that apportioned less than 25% of their income to North Carolina. The economic success, sales patterns, and tax planning decisions of this relatively small number of large, multi-state companies can significantly affect North Carolina's corporation income tax revenues.

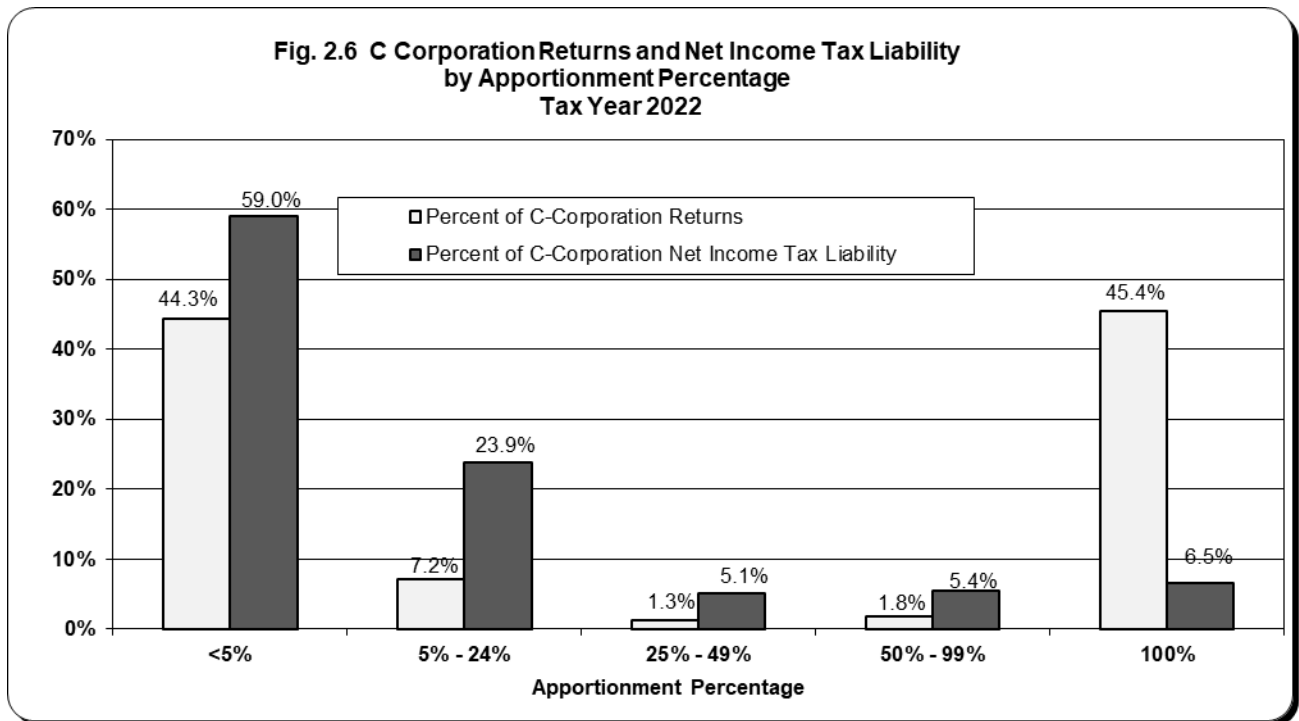


Table 2.7 on the next page shows statistics on the calculation of net tax liability at various steps, starting with federal taxable income. Returns are divided into taxable and nontaxable returns, where taxable returns are defined as those with a positive tax liability before credits are applied. The taxable returns are further broken out by federal taxable income brackets.

Out of 94,476 returns, 35.8% were taxable returns and 64.2% were nontaxable returns. Taxable returns with a federal taxable income over \$25 million made up 5.0% of the returns but accounted for 83.9% of the tax liability.

Of the 48,844 returns with federal taxable income of zero or less, 2,117 had a North Carolina tax liability as a result of adjustment to income or the allocation of nonapportionable income to North Carolina. Of the remaining 45,632 returns that did show a positive federal taxable income, 13,934 did not have a North Carolina liability. One can trace through the calculations in Table 2.7 to see what factors contributed to the elimination of tax liability for these latter companies. From federal taxable income of \$383.5 billion, there was a reduction of \$49.0 billion due to NC adjustments, a \$3.0 billion deduction for charitable contributions to donees outside the State, a decrease of \$7.3 billion due to nonapportionable income, a reduction of \$320.6 billion due to apportioning income to North Carolina, and a reduction of \$6.3 billion due to State Net Loss carryforwards.¹⁴

Some corporations have negative federal taxable income but pay North Carolina taxes because provisions of the State tax code require that they add back certain amounts. One of those addbacks in 2022 was for the bonus depreciation allowances at the federal level. The Tax Cuts and Jobs Act (TCJA) of 2017 increased bonus depreciation to 100% for property acquired and placed in service after September 27, 2017. As such, these addbacks are only a temporary addition to tax, as they will be offset by future deductions.¹⁵

Finally, North Carolina tax credits for businesses reduced overall C corporation tax liabilities by \$27.3 million.

¹⁴ Eligible contributions have been deducted by taxpayers in determining their federal taxable income. For the calculation of NC taxable income on Form CD-405, these contributions are added back under adjustments to federal income. Then, contributions are deducted on separate lines of the return using the State's rules. A similar procedure is used for depletion adjustments.

¹⁵ Under the provisions of NCGS § 105-130.5B, taxpayers taking a special accelerated depreciation deduction under section 168(k) or 168(n) of the IRS Code must add back 85% of the amount to their NC taxable income. In each of the succeeding 5 taxable years, the taxpayer may deduct 20% of the add-back amount.

**SECTION II
INCOME TAX**

**Table 2.7
C Corporation Income Tax Calculation Detail by Federal Taxable Income (Before NOL)
Tax Year 2022**

FTI of Corporation	Number of Returns	Federal Taxable Income, Before NOL [\$]	(+) Adjustments to Federal Income [\$]	(-) Contributions to Donees Outside NC [\$]	(-) Nonapportionable Income [\$]	(-) Reduction Due To Apportionment [\$]	(=) Income Apportioned to NC [\$]
Taxable Returns							
\$0 or less	2,117	(32,999,162,412)	78,033,929,917	338,376,840	(18,061,464)	43,446,471,205	1,267,980,924
\$1-\$20,000	6,138	41,351,111	98,099,924	361,941	12,846,481	63,829,131	62,413,482
\$20,001-\$100,000	4,950	247,062,038	116,882,656	687,929	12,831,333	119,308,225	231,117,207
\$100,001-\$1,000,000	6,487	2,537,534,423	939,066,290	10,198,041	317,788,487	2,075,724,237	1,072,889,948
\$1,000,001-\$10,000,000	6,949	27,284,273,394	4,658,139,015	86,267,791	1,994,889,422	26,763,378,886	3,097,876,310
\$10,000,001-\$25,000,000	2,475	39,865,512,663	5,710,018,013	120,534,311	1,293,502,405	41,858,279,862	2,303,214,098
\$25,000,001+	4,699	1,751,656,066,723	120,301,034,460	10,632,954,877	11,127,448,430	1,806,548,371,307	43,648,326,569
Total, Taxable	33,815	1,788,632,637,940	209,857,170,275	11,189,381,730	14,741,245,094	1,920,875,362,853	51,683,818,538
Nontaxable Returns							
\$0 or less	46,727	(445,899,921,252)	78,458,246,748	36,457,965	(1,402,681,957)	(353,113,229,584)	(12,962,220,928)
More than \$0	13,934	383,474,197,343	(49,003,473,836)	2,981,224,865	7,306,705,110	320,624,806,394	3,557,987,138
Total, Nontaxable	60,661	(62,425,723,909)	29,454,772,912	3,017,682,830	5,904,023,153	(32,488,423,190)	(9,404,233,790)

FTI of Corporation	(+) Nonapportionable Income Allocated to NC [\$]	(-) Percentage Depletion Over Cost Depletion [\$]	(-) State Net Loss [\$]	(-) Contributions to NC Donees [\$]	(=) Net Taxable Income [\$]	Computed Income Tax [\$]	(-) Tax Credits [\$]	(=) Net Tax Liability [\$]
Taxable Returns								
\$0 or less	**	**	67,609,782	6,561,719	1,314,003,198	**	**	31,737,383
\$1-\$20,000	**	**	3,820,128	161,183	58,683,149	**	**	1,467,046
\$20,001-\$100,000	**	**	17,473,215	830,478	223,532,597	**	**	5,585,912
\$100,001-\$1,000,000	**	**	74,045,856	3,826,078	1,018,478,991	**	**	25,455,235
\$1,000,001-\$10,000,000	**	**	138,057,918	6,786,686	3,096,467,164	77,411,777	139,287	77,272,490
\$10,000,001-\$25,000,000	**	**	94,605,036	4,988,344	2,293,737,069	**	**	57,336,348
\$25,000,001+	**	**	1,595,907,804	102,773,408	42,357,845,139	1,058,946,158	26,030,538	1,032,915,620
Total, Taxable	839,964,646	43,588,242	1,991,519,739	125,927,896	50,362,747,307	1,259,069,182	27,299,148	1,231,770,034
Nontaxable Returns								
\$0 or less	**	**	6,298,511,447	50,256,087	(19,458,911,250)	-	-	-
More than \$0	**	**	6,331,292,200	700,877	(2,692,273,829)	-	-	-
Total, Nontaxable	(53,681,395)	11,354,661	12,629,803,647	50,956,964	(22,151,185,079)	-	-	-

**Not shown to maintain taxpayer confidentiality due to the low number of taxpayers claiming depletion adjustments and tax credits. Amounts for suppressed tax and credits are included in totals.
Note: Amounts are based on both audited and unaudited returns.

**SECTION II
INCOME TAX**

Income Tax Credits: Table 2.8 shows the number of taxpayers taking income tax credits, broken out by the percentage of income tax offset by the credits. Over 99% of the 33,815 returns with positive tax liability before credits did not take any income tax credits. Over eighty percent of the 68 returns taking credits had over 40% of their tax liability offset by income tax credits. Due to taxpayer confidentiality, the share of credits taken in each category cannot be shown.

**Table 2.8
Number of C Corporation Taxable Returns Taking Credits as a Percentage of Tax Liability
Tax Year 2022**

NC Taxable Income	No Tax Credits	Income Tax Credits as a Percentage of Tax				Total w/ credits
		0.1% -9.9%	10% -19.9%	20% -39.9%	40% +	
\$1-\$200,000	23,539	0	0	0	12	12
\$200,001-\$1,000,000	5,689	0	0	0	12	12
\$1,000,001-\$10,000,000	3,747	**	**	**	**	22
\$10,000,001+	772	**	0	0	**	22
Total	33,747	**	**	**	**	68

**Not shown to maintain taxpayer confidentiality. Amounts are included in totals.

Note: Figures are based partially on unaudited returns. The table does not include returns that had zero or negative taxable income.

**Table 2.9
Amount of C Corporation Tax Credits Taken as a Percentage of Tax Liability
Tax Year 2022**

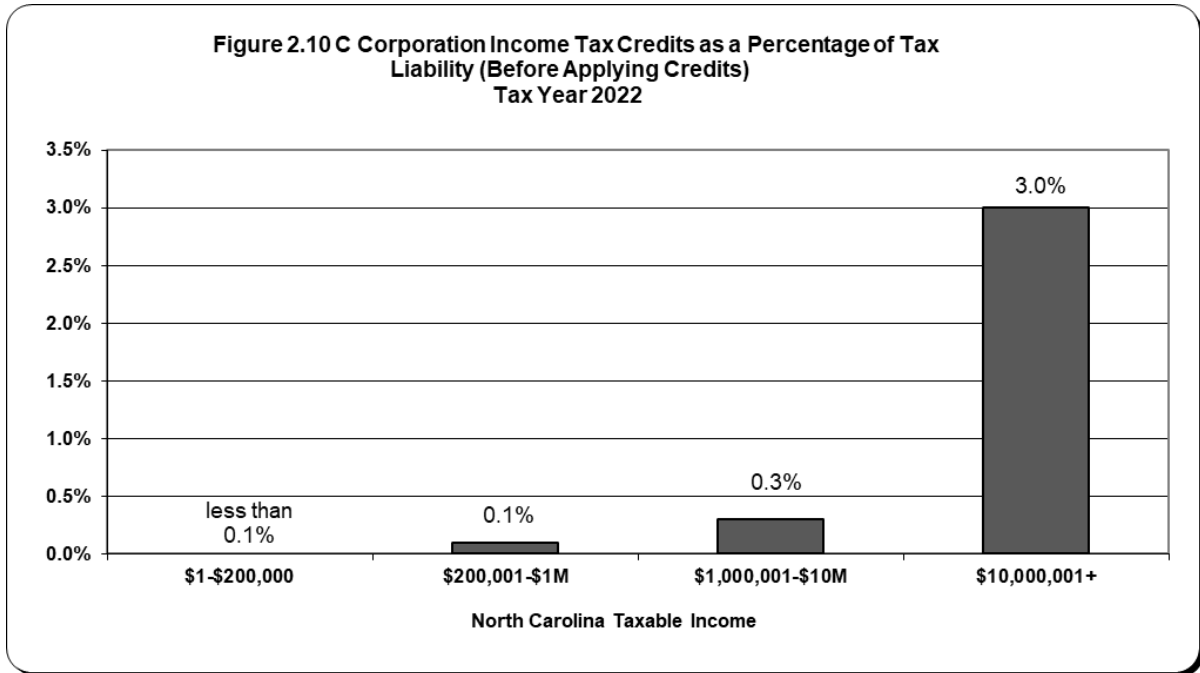
NC Taxable Income	Income Tax Credits as a Percentage of Tax				
	0.1% -9.9% [\$]	10% -19.9% [\$]	20% -39.9% [\$]	40% + [\$]	Total [\$]
\$1-\$200,000	0	0	0	11,443	11,443
\$200,001-\$1,000,000	0	0	0	66,279	66,279
\$1,000,001-\$10,000,000	**	**	**	**	824,528
\$10,000,001+	**	0	0	**	26,396,898
Total	**	**	**	**	27,299,148

**Not shown to maintain taxpayer confidentiality. Amounts are included in totals.

Note: Figures are based partially on unaudited returns.

**SECTION II
INCOME TAX**

Figure 2.10 shows the average amount of tax liability offset by tax credits for the various taxable income groups, for all taxpayers within that group whether they claimed credits or not. The offset was greater for taxpayers with at least \$10 million in North Carolina taxable income.



Note: More detailed groupings of taxable income could not be reported due to confidentiality requirements.

**Table 2.11
C Corporation Income Tax Credits by NC Taxable Income
Tax Year 2022**

Income Tax Credits	All Returns		NCTI up to \$1,000,000		NCTI > \$1,000,000	
	Number of Credits	Amount (\$)	Number of Credits	Amount (\$)	Number of Credits	Amount (\$)
Tax Credits Taken before Adjustment*	68	27,999,128	24	79,714	44	27,919,414
C-Corporation adjustment**	67	(699,980)	24	(1,992)	43	(697,988)
Credits Taken	68	27,299,148	24	77,722	44	27,221,426

*Tax credit type could not be reported due to confidentiality requirements.

** Most C corporation income tax credits are reduced due to the adjustment under NCGS § 105-130.5(a)(10).

Note: Calculations are based partially on unaudited returns.

S CORPORATIONS

S corporations pass their income tax liability through to shareholders, who pay tax on the income according to the individual income tax rate schedule. However, an S corporation may file a composite return and pay the tax for the participating nonresident shareholders. Beginning in Tax Year 2022, an S corporation may alternatively elect to be a Taxed S Corporation, allowing it to pay income tax on behalf of its resident and nonresident shareholders. The tax paid by S corporations is calculated according to the individual income tax rate schedule. The individual income tax rate was 4.99% for tax periods beginning in 2022.

Table 2.12 and Figure 2.13 show the number of returns and net income tax liability by North Carolina taxable income. Corporations with taxable income of \$1 million or more accounted for 66.5% of the tax liability and 2.6% of returns.

The total net tax liability of \$1,080 million shown in Table 2.12 is significantly higher than in prior years due to the Taxed S Corporation election.

**Table 2.12
S Corporation Returns and Net Income Tax Liability by NC Taxable Income
Tax Year 2022**

NC Taxable Income*	Number of Returns	Share of Total	Number With Tax Due	Net Tax Liability [\$]	Share of Total
\$0 or less	62,312	32.3%	0	0	0.0%
\$1-\$15,000	29,720	15.4%	6,817	8,566,876	0.8%
\$15,001-\$30,000	16,777	8.7%	3,523	4,275,672	0.4%
\$30,001-\$50,000	16,065	8.3%	3,654	7,851,423	0.7%
\$50,001-\$100,000	23,419	12.1%	6,473	26,007,190	2.4%
\$100,001-\$500,000	34,095	17.7%	14,807	182,786,151	16.9%
\$500,001-\$1,000,000	5,551	2.9%	3,537	132,072,024	12.2%
\$1,000,001-\$10,000,000	4,801	2.5%	3,475	467,525,412	43.3%
\$10,000,001-\$25,000,000	222	0.1%	170	129,599,139	12.0%
\$25,000,001+	66	less than 0.1%	55	121,572,666	11.3%
Total	193,028	100.0%	42,511	1,080,256,553	100.0%

* North Carolina taxable income is the sum of the corporation's total apportionable and allocable income plus separately stated items of income attributable to nonresidents filing a composite return or to all shareholders when a Taxed S Corporation election is made.

Note: Calculations are based partially on unaudited returns. Breakout percentages may not add to totals due to rounding.

Fig. 2.13 S Corporation Returns and Net Income Tax Liability by NC Taxable Income Tax Year 2022

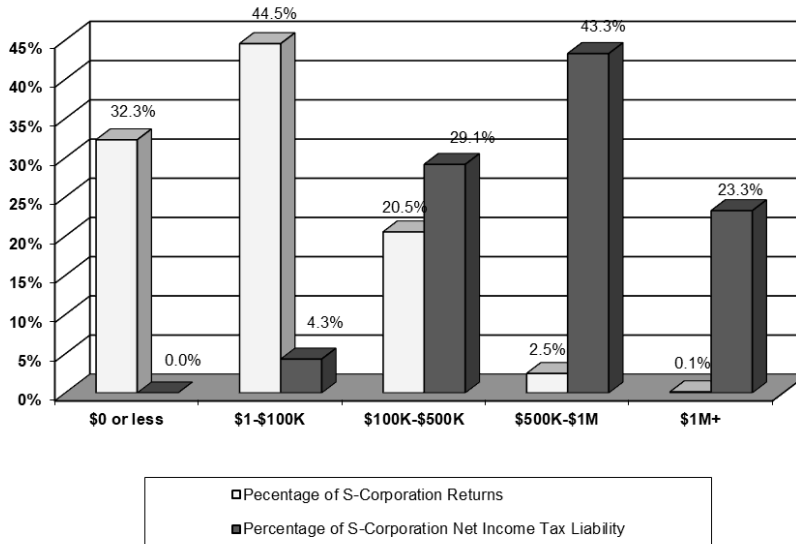
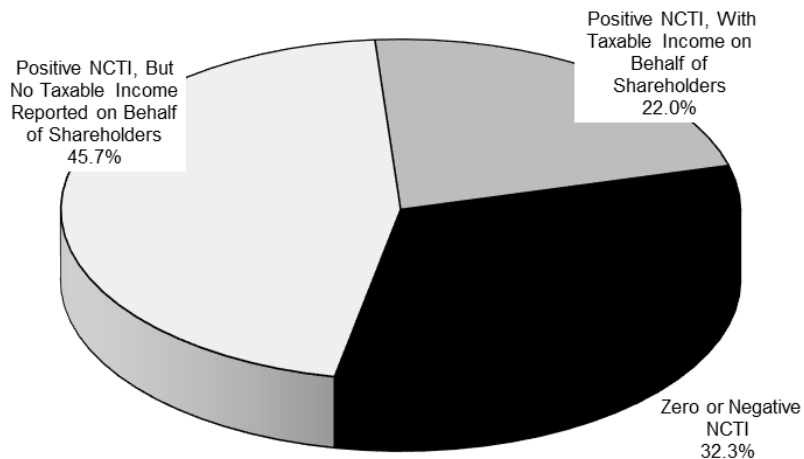


Figure 2.14 illustrates the distribution of returns by North Carolina taxable income and whether the S corporation is paying tax on behalf of its shareholders. Only 22.0% of S corporation returns had a tax liability attributable to nonresidents who chose to allow the S corporation to file a composite return on their behalf or chose the Taxed S Corporation election.

Fig. 2.14 S Corporation Returns by NC Taxable Income and Payment of Tax on Behalf of Shareholders Tax Year 2022



**SECTION II
INCOME TAX**

Table 2.15 provides summary data for the main components of the progression from taxpayers’ federal taxable income to North Carolina net tax liability. The new line for reporting taxable income attributable to resident shareholders for Taxed S Corporations resulted in a large increase in the amount of net tax liability compared to prior years. There were 29,523 returns reporting an amount for this line.

For Tax Year 2022, a Taxed S Corporations may include total NC taxable income when paying income tax for resident shareholders. This may include all business income, not just the amount that is apportioned to North Carolina. There were 2,086 returns that included additional amounts above the amount of taxable income apportioned to North Carolina. The total additional amount of taxable income was calculated to be \$2,663,969,780. In Table 2.15 this amount is included as a positive amount in the adjustment for shareholders paying tax on shares for returns with positive taxable income being reported on behalf of shareholders.

**Table 2.15
S Corporation Income Tax Calculation Detail
Tax Year 2022**

	Number of Returns	(+) Federal Corporation Income [\$]	(+) Adjustments to Federal Income [\$]	(-) Nonapportionable Income [\$]	(-) Reduction Due To Apportionment [\$]	(=) Income Apportioned to NC [\$]	(+) Nonapportionable Income Allocated to NC [\$]
NC Taxable Income							
Zero or Negative	62,312	(9,017,413,423)	(190,836,374)	696,324,043	(6,958,740,654)	(2,945,833,186)	(10,582,617)
Positive, But No Taxable Income Reported on Behalf of Shareholders	88,167	42,563,726,290	2,166,913,903	1,781,020,461	31,345,059,342	11,604,560,390	156,807,286
Positive, With Taxable Income on Behalf of Shareholders	42,549	138,575,818,794	13,674,229,514	6,370,550,691	125,838,660,759	20,040,836,858	330,296,230
Total	193,028	172,122,131,661	15,650,307,043	8,847,895,195	150,224,979,447	28,699,564,062	476,520,899

	(=) NC Net Taxable Income [\$]	(+) Adjustment for Shareholders Paying Tax on Shares [\$]	(-) Income Attributable to Nonresidents Filing Composite or Taxed S Corporation [\$]	(+) NC Taxable Income Attributable to Residents When a Taxed S Corporation Election is Made [\$]	(+) Separately Stated Income Attributable to Nonresidents Filing Composite [\$]	(-) Positive Taxable Income by 4.99% and Subtract Tax Credits (credits shown below)	(=) Net Tax Liability [\$]
NC Taxable Income							
Zero or Negative	(2,956,415,803)	2,668,669,645	(226,138,376)	(61,607,782)	132,624	-	-
Positive, But No Taxable Income Reported on Behalf of Shareholders	11,761,367,676	(11,761,367,676)	-	-	2,159,949	-	107,781
Positive, With Taxable Income on Behalf of Shareholders	20,394,803,303	1,944,493,006	5,448,114,497	16,891,181,812	9,312,674	34,959,781	1,080,148,772
Total	29,199,755,176	(7,148,205,025)	5,221,976,121	16,829,574,030	9,605,247	34,959,781	1,080,256,553

**Not shown to maintain taxpayer confidentiality. Amounts are included in totals.
Note: Figures are based partially on unaudited returns.

Table 2.16 shows the amount of tax credits taken by S Corporations to offset income tax liability. There are several tax credits available, including economic incentive credits and certain historic rehabilitation tax credits. However, all the credits taken were for the tax paid to other states and countries. This tax credit was only available for Taxed S Corporations with resident shareholders for Tax Year 2022.

**Table 2.16
S Corporation Income Tax Credits by NC Taxable Income
Tax Year 2022**

NC Taxable Income*	Number of Returns Taking Credits	Share of Total	Amount of Credits Taken (\$)	Share of Total
\$0 or less	-	0.0%	-	0.0%
\$1-\$50,000	102	13.5%	1,920,940	5.5%
\$50,001-\$100,000	51	6.8%	516,186	1.5%
\$100,001-\$500,000	206	27.3%	3,481,415	10.0%
\$500,001-\$1,000,000	123	16.3%	2,646,399	7.6%
\$1,000,001-\$5,000,000	203	26.9%	11,572,059	33.1%
\$5,000,001-\$10,000,000	36	4.8%	5,027,212	14.4%
\$10,000,001+	33	4.4%	9,795,570	28.0%
Total	754	100.0%	34,959,781	100.0%

* North Carolina taxable income is the sum of the corporation's total apportionable and allocable income plus separately stated items of income attributable to nonresidents filing a composite return or to all shareholders when a Taxed S Corporation election is made.

Note: Calculations are based partially on unaudited returns. Breakout percentages may not add to totals due to rounding.

C CORPORATIONS

In this section, data on corporate returns are presented for tax years 2017 through 2022. Similar information for earlier years can be found in previous editions of this publication.

Table 3.1 compares the number of C corporation returns by tax year. The average increase has been slightly higher in the four years since 2018 than in the prior 4 years, which may be due to some businesses changing their status to C corporations since the federal tax reform in 2017, which lowered the tax rate on corporations. Covid-19 may have also impacted the number of returns for 2021 and 2022 as the economic dislocation gave rise to different types of businesses. The number of returns has increased 18.3% between 2017 and 2022, or 3.42% on an annualized basis. The growth rate has been over 5% in both 2021 and 2022.

The number of first-time filers, as reported on the tax form, was 8,611 in 2022 and 8,752 in 2021.

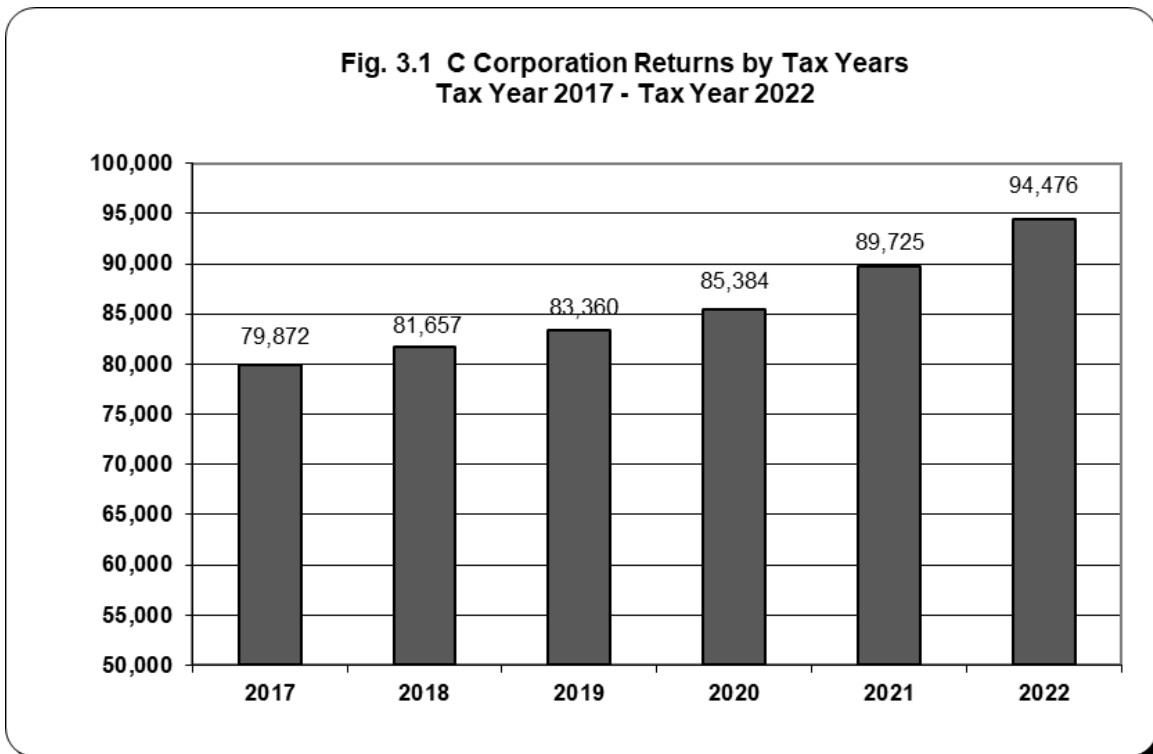
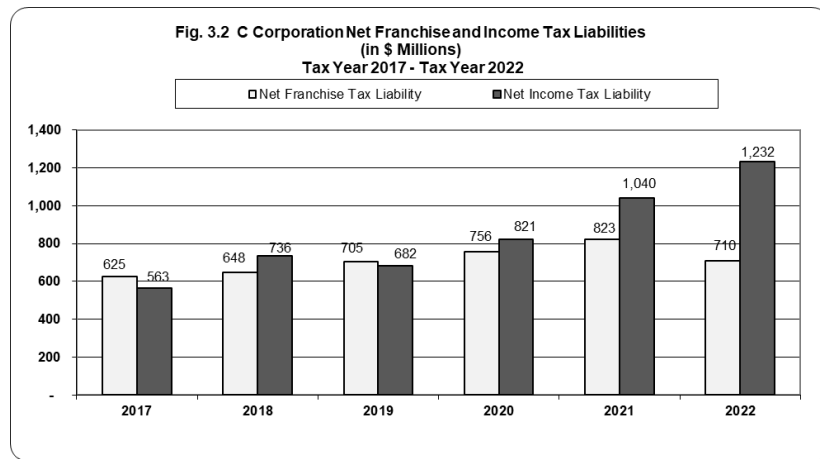


Figure 3.2 shows the net tax liability for both the franchise tax and the corporation income tax from 2017 through 2022 for C corporations.

Franchise tax grew at an annualized rate of 7.1% from 2017 through 2021. It fell 13.7% in 2022. This decrease is substantially due to the removal of the two alternative tax bases, as shown from a review of tax liabilities of taxpayers who had used one of these alternative bases in 2021.

C Corporation income tax grew at an annualized rate of 16.9% between 2017 and 2022. This increase occurred during a period when the tax rate fell. The corporation income tax rate went from 3.0% in 2017 and 2018 to 2.5% in 2019 through 2022.



In order to compare the income tax liabilities across years with the changing tax rates, Figure 3.2a shows the total net North Carolina taxable income for returns with a positive tax liability, before applying tax credits. Lower than normal taxable income in 2017 may be due to corporations shifting taxable income to 2018 to take advantage of the lower federal tax rate in that year. Changes in the economy since COVID and inflation may have increased corporate profits since 2000.

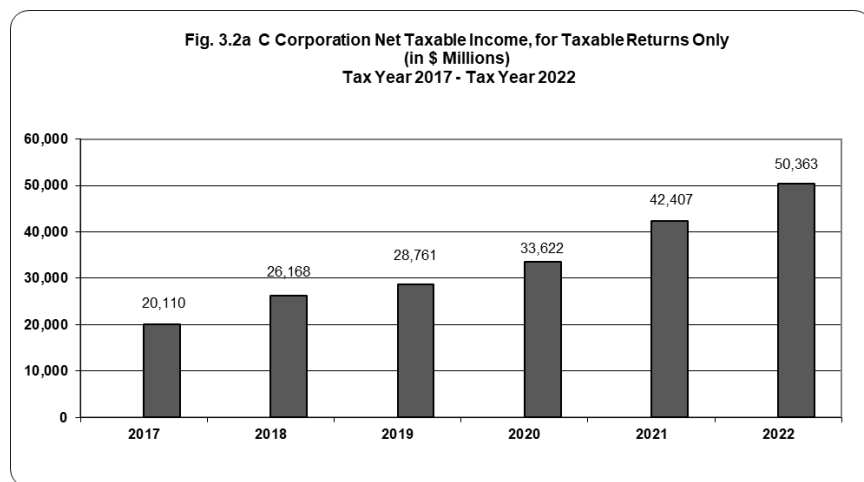
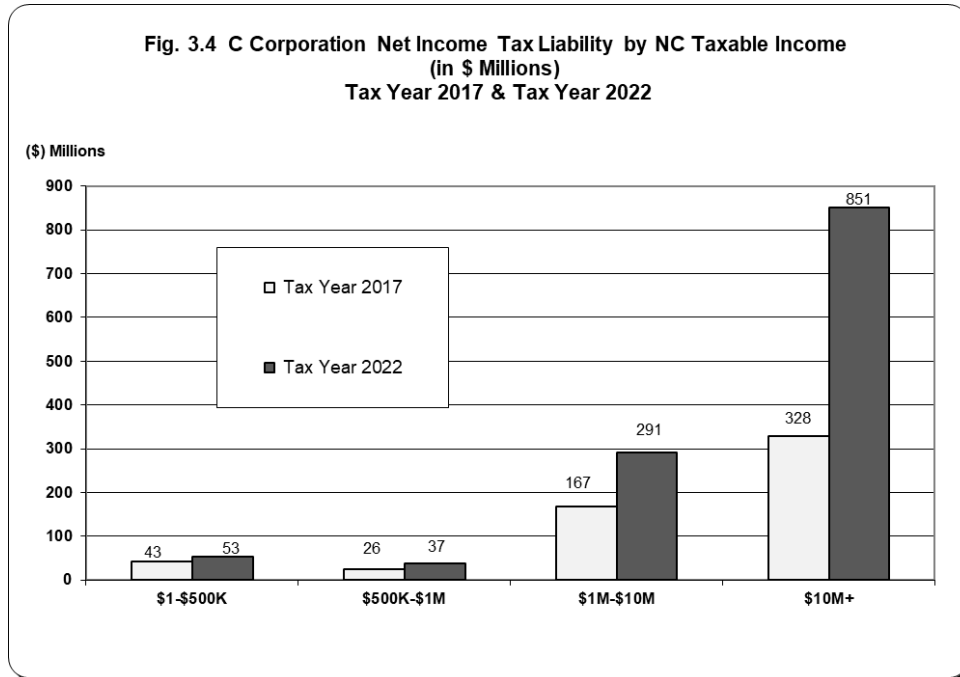


Table 3.3 and Figure 3.4 compare the net income tax liability of C corporations in tax year 2017 and tax year 2022 by NC taxable income brackets. Tax liabilities have increased the most for corporations with taxable income over \$10 million.

**Table 3.3
C Corporation Net Income Tax Liability by NC Taxable Income
Tax Year 2017 & Tax Year 2022**

NC Taxable Income	Net Income Tax Liability TY 2017	Net Income Tax Liability TY 2022	% Difference
\$0 or less	-	-	--
\$1-\$15,000	1,558,707	1,301,104	-16.5%
\$15,001-\$30,000	2,005,933	1,880,432	-6.3%
\$30,001-\$50,000	2,773,810	2,661,652	-4.0%
\$50,001-\$100,000	6,085,327	6,300,136	3.5%
\$100,001-\$500,000	30,511,998	40,619,349	33.1%
\$500,001-\$1,000,000	25,560,652	37,235,894	45.7%
\$1,000,001-\$10,000,000	166,918,038	291,174,930	74.4%
\$10,000,001+	327,856,354	850,596,537	159.4%
Total	563,270,819	1,231,770,034	118.7%

Note: The tax rate in 2017 was 3.0% and the tax rate in 2022 was 2.5%.



Trends in tax credit usage by C corporations. Over the preceding several years, a number of tax credits that have been used by corporations have been repealed. Table 3.5 provides a list of some of the tax credits that have been available to corporations in recent years and information on the expiration date of generating these credits.

**Table 3.5
Various Tax Credits Available to Corporations in Recent Years**

Tax Credit Description	Credit allowed against		Limited to 50% of tax liability?	Last Tax Year to generate credits
	Franchise Tax	Corporate Income Tax		
Creating Jobs - Art 3J	Y	Y	Y	2013
Investing in Business Property - Art 3J	Y	Y	Y	2013
N.C. State Ports	N	Y	Y	2013
Work opportunity	Y	Y	Y	2013
Research & Development - Art 3F	Y	Y	Y	2015
Renewable Energy - Art 3B	Y	Y	Y	2016*
Film Production	N	Y	N†	**
Historic Mill Rehabilitation - Art 3H	Y	Y	N	***
Cigarette Exportation	N	Y	Y	2017
Historic Rehabilitation - Art 3L	Y	Y	N	****
Railroad Intermodal Facility - Art 3K	Y	Y	Y	2037
Recycling Facility - Art 3C	Y	Y	N	None
Short period credit for change in income year	Y	N	N†	None

Notes:

†This is a refundable tax credit; amount of credit is not limited by tax liability

*A biomass resource project may generate credits if placed in service before May 5, 2017

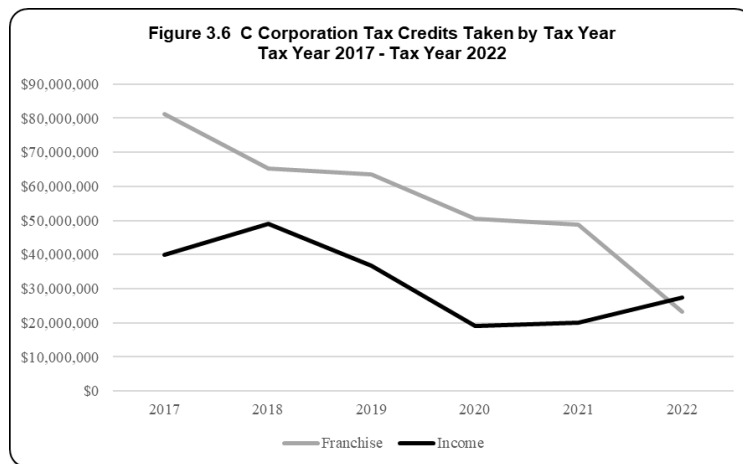
**A taxpayer can claim a credit for expenses occurring before Jan. 1, 2015

***Article 3H had expired for eligibility certifications issued as of Jan. 1, 2015, but has since been re-enacted by S.L. 2021-180.

(An eligible railroad station was eligible for expenses in 2019 for the 2021 and 2022 tax years. Article 3H has been re-enacted by S.L. 2021-180.)

****A taxpayer can claim a credit for expenses occurring before Jan. 1, 2030

Figure 3.6 shows the amount of credits taken by C corporations against the franchise and corporate income tax for tax years 2017 through 2022. Even though some credits cannot be generated after a certain date, installments and carryforwards of unused credits will continue to be taken in future years.¹⁶



¹⁶ Figure 3.6 does not include film production tax credit usage.

S CORPORATIONS

Figure 3.7 compares the number of S corporation returns by tax years 2017 through 2022. The number of returns increased 15.8% between tax years 2017 and 2022. This is equivalent to an annualized rate of growth of approximately 3.0%. The growth rate between 2021 and 2022 was 4.5%.

In Tax Year 2022, there were 13,956 taxpayers that indicated that they were first-time filers. In the prior year, there had been 13,333.

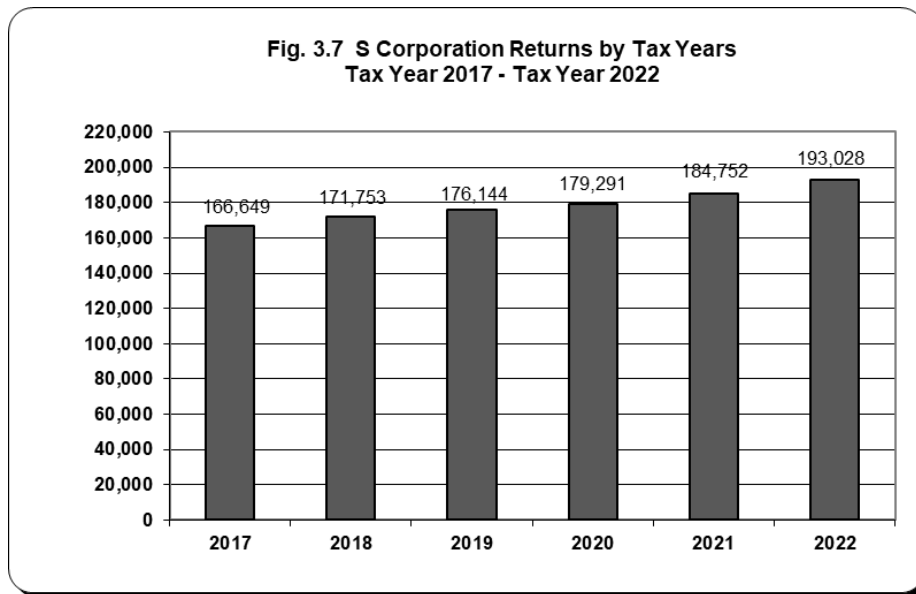


Figure 3.8 on the next page illustrates the relative amounts of net tax liabilities for 2017 through 2022 for S corporations. The sharp increase in income tax liability for 2022 was primarily due to the creation of Taxed S Corporations to allow payment tax on behalf of resident shareholders.

There have been several decreases in the individual income tax, which is applicable to S corporations. The tax rate on S corporation income fell to 5.499% for 2017 and 2018. In 2019 through 2021, the tax rate was 5.25%. In 2022, the tax rate declined again, to 4.99%.

The decline in franchise tax liabilities in 2022 is primarily due to the removal of the two alternative tax bases. The earlier decline in franchise tax liabilities in 2018 was primarily due to the \$200 cap on the tax on the first \$1 million in the franchise tax base.

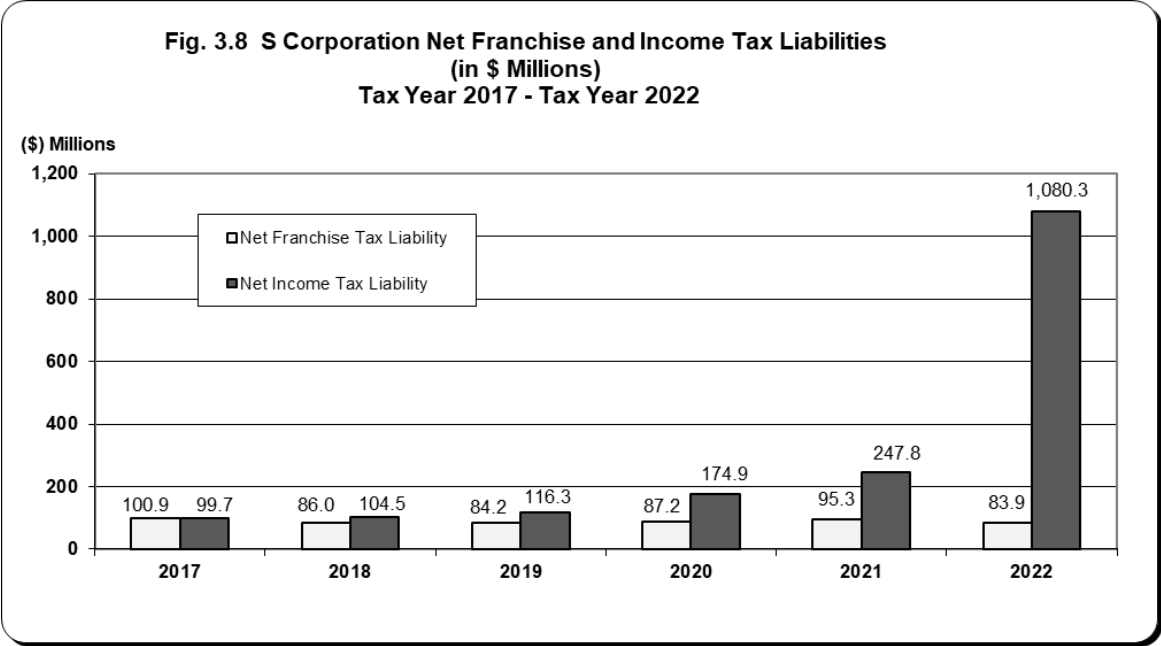
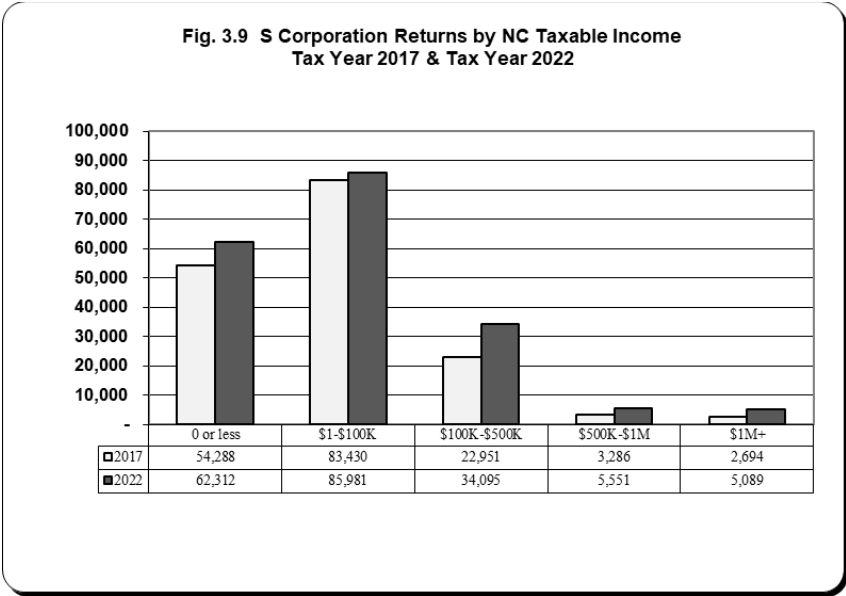


Figure 3.9 compares the number of S corporation returns in tax years 2017 and 2022 by NC taxable income brackets. The total number of returns has grown in each bracket, with the smallest increase for those in the \$1 to \$100,000 taxable income bracket. The percentage growth has been greatest in the \$1 million and above taxable income bracket.



**SECTION IV
FISCAL YEAR STATISTICS**

Fiscal Year Filing Statistics. Taxpayers may calculate their net income based on a calendar year or an alternative fiscal year that ends on the last day of any month other than December. Taxpayers may also use a 52/53 week fiscal year, as allowed under the IRS Code. This section reports tax statistics based on the month in which the fiscal year begins.

Table 4.1 shows the distribution of C corporation returns by the month in which their fiscal year begins, as well as for short-period returns. Calendar year returns comprised 80.9% of full-year returns and 76.0% of all returns. Their net franchise tax liability was 75.0% of total franchise tax liability, and their net income tax liability made up 71.3% of the total.

Short-period returns comprised 6.0% of all returns. They represented 4.0% of net franchise tax liabilities and 4.1% of the net corporation income tax liabilities.

**Table 4.1
C Corporation Statistics by Fiscal Year Start Month
Tax Year 2022**

Tax Year Start Month	All Returns	Franchise Tax		Income Tax	
	Number of returns	Number	Amount (\$)	Number	Amount (\$)
January	71,844	59,246	532,154,087	24,858	877,855,654
February	1,280	1,231	26,521,050	457	39,468,260
March	578	549	2,747,532	239	3,672,491
April	3,357	3,172	24,728,048	1,454	43,276,658
May	849	785	4,918,559	380	13,627,045
June	794	706	7,088,352	368	21,152,049
July	3,810	3,139	23,622,533	1,561	49,853,428
August	778	711	4,572,797	374	17,713,711
September	789	726	7,032,737	366	10,177,432
October	3,048	2,788	33,222,053	1,352	67,294,536
November	1,052	991	9,144,470	471	21,322,224
December	595	563	5,967,855	276	15,971,709
Short-period returns	5,702	4,741	28,080,315	1,659	50,384,837
Total	94,476	79,348	709,800,388	33,815	1,231,770,034

Note: For this table, short-period returns are all returns where the recorded tax year is less than 360 days. These were mainly corporations that changed their accounting periods during the year, existed less than a full year, or adopted the tax year of an affiliated corporation.

For S corporations, calendar year filers comprised 94.6% of the 193,028 returns and 98.9% of the 184,487 full-year returns. They represented 91.4% of net franchise tax liabilities and 93.5% of the net corporation income tax liabilities. Full-year returns with start dates in October accounted for 3.6% of franchise tax liabilities and 2.5% of income tax liabilities.

There were 8,541 short-period returns included in the S corporation returns, 4.4% of the total number. They represented 2.1% of net franchise tax liabilities and 2.4% of the net corporation income tax liabilities.

**SECTION V
INDUSTRY SECTORS**

C-CORPORATIONS

Table 5.1 shows franchise and income tax liabilities by major industry sector. The manufacturing sector had the largest tax liability for both the franchise tax and the income tax, approximately 23.7% of the combined amount. Other sectors with relatively high shares of tax liability include finance and insurance; information; retail; wholesale; and professional, scientific, and technical services.

**Table 5.1
C Corporation Franchise Tax and Income Tax Liability by Industry Sector
Tax Year 2022**

Industry Sector	All Returns	Franchise Tax		Income Tax	
	Number of returns	Number	Amount (\$)	Number	Amount (\$)
Agriculture, Forestry, Fishing and Hunting	1,039	999	3,106,286	390	9,619,807
Mining	170	158	2,908,141	55	6,514,071
Utilities	265	240	17,105,723	66	7,772,968
Construction	6,146	5,900	20,976,217	2,794	58,964,340
Manufacturing	9,005	8,670	167,462,824	3,991	293,480,922
Wholesale	6,704	6,440	42,838,169	3,433	101,594,290
Retail	5,156	4,880	47,354,352	2,256	108,249,473
Transportation	2,289	2,179	9,379,293	1,059	25,283,377
Couriers and Warehousing	236	221	1,151,726	96	3,683,849
Information	3,840	3,628	75,625,597	1,199	180,062,416
Finance and Insurance	9,456	8,401	128,014,573	3,799	192,101,781
Real Estate and Rental & Leasing	13,018	7,460	49,926,896	2,724	50,648,955
Professional, Scientific and Technical Services	15,213	14,354	63,757,696	5,086	87,548,811
Management of Companies / see note	3,285	3,092	46,216,254	1,181	46,114,364
Administration & Support and Waste Management & Remediation Services	3,496	2,843	9,835,381	1,286	19,287,785
Educational Services	550	485	1,636,684	181	1,889,288
Health Care and Social Assistance	2,834	2,689	10,857,216	837	14,027,751
Arts, Entertainment and Recreation	917	777	1,978,191	341	4,699,436
Accommodations and Food Services	2,182	2,056	5,061,435	1,090	13,242,446
Other Services	4,972	2,743	3,445,454	1,405	5,952,553
Unidentifiable	3,703	1,133	1,162,280	546	1,031,351
Total	94,476	79,348	709,800,388	33,815	1,231,770,034

Note: The amounts in this table are based partially on unaudited returns. In some cases, revisions were made to the NAICS codes reported by taxpayers. If it was evident that a taxpayer reported an old NAICS or SIC code, these were converted to newer codes. Also, holding companies often listed their NAICS code as "Management of Companies." One hundred seventeen (117) of these taxpayers were reassigned to other industries based on information concerning the main business of these companies. (These reassignments were made by staff of the Tax Processing, Research & Equity Division, mainly for four of the industry sectors: manufacturing; retail; information; and finance and insurance.) In addition, all 71 bank holding companies (NAICS=551111) were reassigned to the Finance & Insurance sector.

**SECTION V
INDUSTRY SECTORS**

Table 5.2 provides a breakout of the income tax calculation similar to Table 2.7 for various industry sectors.

**Table 5.2
C Corporation Income Tax Calculation Detail for Certain Industry Sectors
Tax Year 2022**

	Total	Construction	Manufacturing	Wholesale	Retail	Information	Finance & Insurance	Real Estate, Rental & Leasing	Professional Services
Taxable Returns									
Number of returns	33,815	2,794	3,991	3,433	2,256	1,199	3,799	2,724	5,086
Federal Taxable Income, Before NOL	1,788,632,637,940	20,118,906,145	522,967,578,723	128,231,073,438	88,775,315,064	270,964,805,701	379,591,597,475	35,134,046,363	146,967,395,683
(+) Adjustments to Federal Income	209,857,170,275	-4,087,314,386	33,272,491,571	11,956,840,612	42,140,472,977	50,981,135,688	4,706,306,228	13,768,843,298	21,999,730,952
(-) Contributions to Donees Outside NC	11,189,381,730	-144,464,295	4,520,165,725	831,551,223	1,577,255,340	1,314,974,932	1,129,488,786	250,777,283	582,821,217
(-) Nonapportionable Income	14,741,245,094	-3,088,369	1,216,217,681	415,151,644	-32,881,666	148,306,036	5,973,233,517	857,483,202	116,309,637
(-) Reduction Due to Apportionment	1,920,875,362,853	13,772,874,795	537,949,861,294	134,721,149,736	124,899,216,450	312,777,872,837	369,231,689,526	45,807,142,564	164,559,179,777
(=) Income Apportioned to NC	51,683,818,538	2,406,269,628	12,553,825,594	4,220,061,447	4,472,197,917	7,704,787,584	7,963,491,874	1,987,486,612	3,708,816,004
(+) Nonapportionable Income Allocated to NC	839,964,646	2,792,367	**	**	**	49,721,120	316,617,917	133,323,171	**
(-) Percentage Depletion Over Cost Depletion	43,588,242	0	**	**	**	0	0	0	**
(-) State Net Loss	1,991,519,739	47,169,830	441,049,922	168,254,289	52,454,934	371,921,096	114,255,285	93,928,888	175,689,967
(-) Contributions to NC Donees	125,927,896	3,318,930	26,925,381	1,708,334	36,952,787	2,490,691	40,616,370	596,445	2,345,619
(=) Net Taxable Income	50,362,747,307	2,338,573,235	12,095,053,066	4,063,769,314	4,374,965,874	7,380,096,917	8,125,238,136	2,026,284,450	3,533,980,434
Computed Income Tax	1,259,069,182	58,964,340	302,376,391	101,594,200	**	**	**	**	**
(-) Tax Credits	27,299,148	0	8,895,469	0	**	**	**	**	**
(=) Net Tax Liability	1,231,770,034	58,964,340	293,480,922	101,594,200	108,249,473	180,062,416	192,101,781	50,648,955	87,548,811
Non-Taxable Returns									
Number of returns	58,144	3,542	5,044	3,143	3,107	2,476	5,165	9,418	9,225
Federal Taxable Income, Before NOL	-62,425,723,909	2,481,773,763	52,028,789,261	4,797,254,549	-5,542,314,212	-37,958,474,564	-33,033,334,072	-6,837,217,566	-7,777,882,317
(+) Adjustments to Federal Income	29,454,772,912	819,864,621	-4,533,984,544	-449,364,440	2,812,203,686	16,445,035,320	-5,963,259,964	-5,393,781,933	10,081,770,890
(-) Contributions to Donees Outside NC	3,017,682,830	16,838,584	2,016,879,301	132,725,663	**	87,233,102	64,689,981	1,123,795	91,375,995
(-) Nonapportionable Income	5,904,023,153	2,917,988	2,162,996,564	500,064,146	**	407,213,401	1,759,558,560	261,133,049	542,258,825
(-) Reduction Due to Apportionment	-197,954,602,414	3,235,472,503	44,219,174,059	3,864,029,200	-2,454,476,517	-21,174,018,636	-39,336,329,837	-11,597,775,388	3,335,624,347
(=) Income Apportioned to NC	-9,404,233,790	46,409,309	-904,245,207	-148,928,890	-391,906,696	-833,867,111	-1,484,512,740	-895,480,955	-1,665,370,594
(+) Nonapportionable Income Allocated to NC	-206,157,237	**	**	**	**	**	**	**	**
(-) Percentage Depletion Over Cost Depletion	11,354,661	0	**	**	**	0	**	**	0
(-) State Net Loss	12,629,803,647	410,208,646	1,982,977,746	444,288,756	727,293,301	1,824,884,088	406,869,993	241,853,035	930,389,807
(-) Contributions to NC Donees	50,956,964	**	213,985	**	**	**	**	**	**
(=) Net Taxable Income	-22,151,185,079	-363,776,667	-2,888,532,519	-595,739,580	-1,119,349,043	-2,651,562,975	-1,993,620,953	-1,156,117,124	-2,598,788,616
Computed Income Tax	0	0	0	0	0	0	0	0	0
(-) Tax Credits	0	0	0	0	0	0	0	0	0
(=) Net Tax Liability	0	0	0	0	0	0	0	0	0

Note: Refer to the note on the previous page for identification of NAICS code industry sectors. A "*" in a cell indicates that the amount is withheld to protect taxpayer confidentiality. Amounts are based on both audited and unaudited returns.

S CORPORATIONS

Table 5.3 shows franchise and income tax liabilities by major industry sector for S corporations. Industry sectors that pay a relatively high share of the franchise tax include (1) construction; (2) manufacturing; (3) retail; (4) professional, scientific and technical services, and (5) real estate and rental & leasing.

As mentioned in prior sections of this report, the income tax liability only includes the tax liability of certain nonresident shareholders, resident and non-resident shareholders if the corporation is a Taxed S Corporation, and separately stated income. An alternative measure of relative tax liability is shown on the following pages.

**Table 5.3
S Corporation Franchise Tax and Income Tax Liability by Industry Sector
Tax Year 2022**

Industry Sector	All Returns	Franchise Tax		Income Tax	
	Number of returns	Number	Amount (\$)	Number	Amount (\$)
Agriculture, Mining & Utilities	4,372	4,227	2,780,364	738	17,424,372
Construction	30,041	28,962	12,639,538	5,844	161,762,647
Manufacturing	7,689	7,395	9,796,697	2,385	129,888,486
Wholesale	7,787	7,440	6,797,554	2,406	101,707,520
Retail	15,732	14,950	8,984,066	3,218	121,714,035
Transportation	6,322	6,024	2,127,537	842	27,109,249
Couriers and Warehousing	572	533	197,959	111	1,840,167
Information	2,428	2,303	808,141	617	14,245,222
Finance and Insurance	7,563	7,188	4,372,499	2,162	48,037,511
Real Estate and Rental & Leasing	22,056	20,916	8,096,697	4,464	86,813,570
Professional, Scientific and Technical Services	33,145	31,480	8,484,702	8,705	121,231,274
Management of Companies	1,546	1,444	3,190,897	658	43,846,341
Administration & Support and Waste Management & Remediation Services	8,868	8,420	2,337,030	1,880	47,947,641
Educational Services	1,457	1,375	388,417	286	2,990,600
Health Care and Social Assistance	13,176	12,654	3,885,685	3,323	69,687,131
Arts, Entertainment and Recreation	4,727	4,438	1,898,375	1,068	14,478,044
Accommodations and Food Services	9,865	9,390	3,626,999	1,663	36,290,894
Other Services	13,882	13,180	3,002,089	2,004	32,332,804
Unidentifiable	1,800	1,728	438,730	137	909,045
Total	193,028	184,047	83,853,976	42,511	1,080,256,553

Note: Calculations are based partially on unaudited returns. Agriculture, Mining and Utilities were reported as one sector to protect confidentiality of taxpayers. In some cases, revisions were made to the NAICS codes reported by taxpayers. If it was evident that a taxpayer reported an old NAICS or SIC code, these were converted to newer codes. Also, taxpayers that were holding companies often listed their NAICS code as "Management of Companies." Twenty-one (21) of these taxpayers were reassigned to other industries based on information concerning the main business of these companies. (These reassignments were made by staff of the Tax Processing, Research & Equity Division.) In addition, all 22 bank holding companies (NAICS=551111) were reassigned to the Finance & Insurance sector.

**SECTION V
INDUSTRY SECTORS**

Table 5.4 shows the North Carolina net taxable income of S corporations in tax year 2022 by industry sector.¹⁷ This is the income that is sometimes passed through to shareholders who then report this income on their individual income tax returns. The industry sectors with the largest net taxable income are (1) construction; (2) professional, scientific and technical services; (3) retail trade; (4) manufacturing; (5) real estate and rental & leasing; and (6) wholesale trade.

**Table 5.4
S Corporation NC Net Taxable Income by Industry Sector
Tax Year 2022**

Industry Sector	Net Taxable Income		
	Number of returns	Amount (\$)	Share of total amount
Agriculture, Forestry, Fishing and Hunting	3,853	373,926,577	1.3%
Mining	125	31,455,787	0.1%
Utilities	187	29,579,513	0.1%
Construction	27,241	4,562,061,397	15.6%
Manufacturing	6,927	2,849,571,369	9.8%
Wholesale	7,101	2,382,073,484	8.2%
Retail	14,935	3,137,464,307	10.8%
Transportation	5,841	721,846,797	2.5%
Couriers and Warehousing	523	66,205,018	0.2%
Information	2,172	368,479,015	1.3%
Finance and Insurance	6,661	1,358,415,869	4.7%
Real Estate and Rental & Leasing	20,548	2,703,948,403	9.3%
Professional, Scientific and Technical Services	29,726	3,611,217,838	12.4%
Management of Companies	1,274	1,005,907,006	3.4%
Administration & Support and Waste Management & Remediation Services	8,150	1,203,610,206	4.1%
Educational Services	1,363	104,967,777	0.4%
Health Care and Social Assistance	12,559	1,972,024,304	6.8%
Arts, Entertainment and Recreation	4,368	340,391,730	1.2%
Accommodations and Food Services	9,289	1,202,133,130	4.1%
Other Services	13,333	1,073,616,412	3.7%
Unidentifiable	1,347	83,693,044	0.3%
Total	177,523	29,182,588,983	

Note: Amounts shown in the table include accounts with negative values for net taxable income. Calculations are based partially on unaudited returns. In some cases, revisions were made to the NAICS codes reported by taxpayers. If it was evident that a taxpayer reported an old NAICS or SIC code, these were converted to newer codes. Also, taxpayers that were holding companies often listed their NAICS code as "Management of Companies." Twenty-one (21) of these taxpayers were reassigned to other industries based on information concerning the main business of these companies. (These reassignments were made by staff of the Tax Processing, Research & Equity Division.)

¹⁷ For the tables in this section, S corporation net taxable income does not include separately stated items of income.

**SECTION V
INDUSTRY SECTORS**

Table 5.5 shows the North Carolina net taxable income of S corporations in tax year 2022 by industry sector for taxpayers who had positive amounts of net taxable income.¹⁸ The industry sectors with the largest net taxable income are (1) construction; (2) professional, scientific and technical services; (3) retail trade; (4) manufacturing; (5) real estate and rental & leasing; and (6) wholesale trade.

**Table 5.5
S Corporation NC Net Taxable Income (Positive Values Only) by Industry Sector
Tax Year 2022**

Industry Sector	Net Taxable Income (Positive Values Only)		
	Number	Amount (\$)	Share of total amount
Agriculture, Forestry, Fishing and Hunting	2,389	516,139,206	1.6%
Mining	91	33,885,051	0.1%
Utilities	128	33,570,522	0.1%
Construction	20,361	5,061,554,908	15.7%
Manufacturing	4,955	3,069,239,806	9.5%
Wholesale	5,424	2,495,081,454	7.8%
Retail	10,646	3,358,178,282	10.4%
Transportation	4,121	828,467,978	2.6%
Couriers and Warehousing	345	76,919,696	0.2%
Information	1,546	397,532,252	1.2%
Finance and Insurance	5,366	1,474,307,568	4.6%
Real Estate and Rental & Leasing	14,752	2,982,974,037	9.3%
Professional, Scientific and Technical Services	22,884	3,920,690,768	12.2%
Management of Companies Administration & Support and Waste Management & Remediation Services	964	1,069,971,127	3.3%
Educational Services	6,110	1,316,281,389	4.1%
Health Care and Social Assistance	949	120,507,444	0.4%
Arts, Entertainment and Recreation	9,617	2,202,945,649	6.8%
Accommodations and Food Services	3,140	497,751,316	1.5%
Other Services	6,179	1,423,581,043	4.4%
Unidentifiable	9,687	1,187,280,852	3.7%
Total	917	95,916,599	0.3%
Total	130,571	32,162,776,947	

Note: Amounts shown in the table include accounts with negative values for net taxable income. Calculations are based partially on unaudited returns. In some cases, revisions were made to the NAICS codes reported by taxpayers. If it was evident that a taxpayer reported an old NAICS or SIC code, these were converted to newer codes. Also, taxpayers that were holding companies often listed their NAICS code as "Management of Companies." Twenty-one (21) of these taxpayers were reassigned to other industries based on information concerning the main business of these companies. (These reassignments were made by staff of the Tax Processing, Research & Equity Division.)

¹⁸ For the tables in this section, S corporation net taxable income does not include separately stated items of income.