

The references to line numbers and form numbers on federal income tax forms were correct at the time of printing. If they have changed and you are unable to determine the proper line to use, please contact the Department of Revenue. These instructions are to be used as a guide in the preparation of a North Carolina partnership income tax return and are not intended to cover all provisions of the law. For further information on North Carolina tax law, refer to administrative rules, bulletins, directives, and other publications issued by the Department of Revenue ("Department"), as well as opinions issued by the Attorney General's office.

## GENERAL INFORMATION

### Who Must File a North Carolina Partnership Tax Return?

A partnership doing business in North Carolina that is required to file a federal partnership return must file a North Carolina information return for the taxable year. The term "partnership" includes a limited liability company that is classified for federal income tax purposes as a partnership, as well as, a publicly traded partnership whereby the partners' distributive share of the partnership's net income during the tax year is more than five hundred dollars (\$500.00).

### What Does "Doing Business in North Carolina" Mean?

The term "doing business in North Carolina" means the operation of any business enterprise or activity in North Carolina for economic gain, including, but not limited to, the following:

- The maintenance of an office or other place of business in North Carolina;
- The maintenance in North Carolina of an inventory of merchandise or material for sale, distribution or manufacture, regardless of whether kept on the premises of the taxpayer or in a public or rented warehouse;
- The selling or distributing of merchandise to customers in North Carolina directly from a company-owned or operated vehicle when title to the merchandise is transferred from the seller or distributor to the customer at the time of the sale or distribution;
- The rendering of a service to clients or customers in North Carolina by agents or employees of a foreign partnership;
- The owning, renting, or operating of business or income-producing property in North Carolina including, but not limited to, the following:
  - (A) Realty;
  - (B) Tangible personal property;
  - (C) Trademarks, tradenames, franchise rights, computer programs, copyrights, patented processes, licenses.

In addition, a partnership that is a partner in another partnership or joint venture operating in North Carolina is considered to be "doing business in North Carolina." **Exception:** A partnership whose only activity is as an investment partnership is not considered to be "doing business in North Carolina" and is not required to file a return in North Carolina or pay income tax to North Carolina on behalf of its nonresident partners. (For more information on investment partnerships see 17 North Carolina Administrative Code 06B .3503.)

### What Forms Should a Partnership File?

**Form D-403.** Every partnership required to file a North Carolina information return must file Form D-403. The information return must contain all of the information required by the Secretary, including the partnership's gross income, the deductions allowed under the Internal Revenue Code ("Code"), each partner's distributive share of the partnership's income, and any North Carolina adjustments. Importantly, for North Carolina tax purposes, a partner's distributive share of income includes any guaranteed payments made to the partner from the partnership.

**Important:** With the exception of Part 5 and Part 6 of Form D-403, attachments may not be used as a substitute for completing the partnership return. Do not enter "See Attached" instead of completing the applicable spaces on the return. If supporting schedules are required, the schedules should be attached behind Form D-403. The schedules must contain all required information (including the partnership's federal identification number), follow the format of the official schedules, and must be attached in the same sequence as the schedules appear on the partnership return.

**Form D-403TC.** If there is a nonresident partner whose share of tax is being paid by the manager of the partnership and the partnership claims a tax credit, complete Form D-403TC, Partnership Tax Credit Summary. Include Form D-403TC with the partnership return. Attach a separate schedule showing the computation of any tax credits and the allocation of the credits among the partners.

If claiming any tax credit that is limited to 50% of the partnership's tax, less the sum of all other credits claimed, complete Form NC-478 and attach it to the front of the partnership return. The partnership must provide sufficient information about the tax credits to allow the partner to complete the Form NC-478 series.

**Schedule NC K-1.** Schedule NC K-1 is used by the partnership to report each partner's share of the partnership's income, adjustments, tax credits, etc. The Schedule NC K-1 must reflect the net tax paid by the partnership. Prepare and give a Schedule NC K-1 to each person who was a partner in the partnership at any time during the year. Schedule NC K-1 must be provided to each partner on or before the day on which the partnership return is required to be filed. When reporting the distributive share of tax credits, provide a list of the amount and type of tax credits. Any amount reported as tax paid by the manager of the partnership should include the partner's share of amounts paid with extension and by other partnerships, if applicable.

### Who Can Sign the Return?

Form D-403 must be signed by the managing partner. If the return is prepared by a person or firm other than a partner, it must also be signed by the one preparing the return. If the partnership is a limited partnership, the return must be signed by a general partner. The managing partner should provide a telephone number where the general partner may be reached during the day if the Department needs additional information to process the return.

If the partnership wants to allow a paid preparer to discuss certain tax matters with the Department, the managing partner must check

the applicable box located in the signature area on Page 4 of Form D-403. If the box is checked, the managing partner is authorizing the Department to call the paid preparer to answer any questions that may arise during the processing of the return. The managing partner is also authorizing the paid preparer to:

- Give the Department any information that is missing from the return;
- Call the Department for information about the processing of the return or the status of the refund or payment(s);
- Receive copies of notices or transcripts related to the return, upon request; and
- Respond to proposed notices of assessment or notices of adjustment.

**Important:** The managing partner is not authorizing the paid preparer to receive any refund check, bind the partnership to anything (including any additional tax liability), or otherwise represent the partnership before the Department regarding audit activity or a request for a Departmental review of a proposed assessment or a proposed denial of refund. Those types of matters require a Power of Attorney, Gen 58, to be filed with the Department. Paid preparer authority is extended only to an individual paid preparer, not to employees of a company. *(For more information on Power of Attorney, visit the Department's website.)*

#### When Must the Return be Filed?

If the partnership files its return on a calendar year basis, the 2019 Form D-403 is due on or before April 15, 2020. A fiscal year return is due on the 15th day of the 4th month following the end of the taxable year. The partnership must use the same taxable period on Form D-403 as was used on the federal return. When the due date falls on a Saturday, Sunday, or legal holiday, the return is due on or before the next business day. A fiscal year return must be filed on a tax form for the year in which the fiscal year begins. For example, a 2019 tax form must be used for a fiscal year beginning in 2019. *(For more information on timely mailing of N.C. tax returns, see Directive TA-18-1 available on the Department's website.)*

The 2019 Form D-403 may also be used if:

- The partnership has a tax year of less than 12 months that begins in 2019. If the partnership's tax year is less than 12 months, fill in the beginning and ending dates for the tax year and fill-in the "Short Period" circle located on Page 1 of Form D-403.
- The 2020 Form D-403 is not available at the time the partnership is required to file its return.

**Important:** Returns submitted to the Department that do not meet the specified criteria will be returned to the taxpayer with instructions to refile the return on an acceptable form.

#### Can a Partnership Get an Extension to File?

A partnership that is granted an automatic extension to file its federal income tax return will be granted an automatic extension to file its corresponding North Carolina income tax return if the partnership certifies on Form D-403 that the partnership received an automatic federal extension. **Important:** The partnership must certify that the partnership was granted an automatic extension to file the federal partnership tax return by filling in the "Federal Extension" circle located on Page 1 of Form D-403. A partnership that fails to file Form D-403 correctly will be subject to interest and applicable penalties.

If the partnership is not granted an automatic federal extension to file the federal partnership tax return, the partnership may still request an extension of time to file Form D-403 by filing Form D-410P, Application for Extension for Filing Partnership, Estate, or Trust Tax Return, by the original due date of the return. **Important:** Without a valid extension, an information return filed after the original due date is delinquent and is subject to interest and all applicable penalties provided by law.

A partnership is not required to send a payment of tax it estimates as due, to receive the extension; however, it will benefit the partnership to pay as much as it can with the extension request. An extension of time for filing the partnership return does not extend the time for paying the tax due. A partnership may file the return at any time within the extension period but it must be filed on or before the end of the extension period to avoid the late filing penalty.

#### Where Do I File the Return?

If the partnership chooses not to e-file the partnership return, mail the return, any payment due, and Form D-403V to the following address:

**N.C. DEPARTMENT OF REVENUE, P.O. BOX 25000,  
RALEIGH, NC 27640-0640**

For information on e-file, visit the Department's website.

#### What Tax Credits are Available to Partnerships?

All tax credits available to individuals are available to partnerships except the tax credit for income taxes paid to other states.

A partnership may pass through to each of its partners the partner's distributive share of an income tax credit for which the partnership qualifies. Any dollar limit on the amount of a tax credit applies to the partnership as a whole instead of to the individual partners. Maximum dollar limits and other limitations that apply in determining the amount of tax credit available to a taxpayer apply to the same extent in determining the amount of tax credit for which a partnership qualifies, with one exception. The exception is a limitation that the tax credit cannot exceed the tax liability of the taxpayer.

If there is a nonresident partner whose share of tax is being paid by the manager of the partnership, and the partnership claims a tax credit, complete Form D-403TC, Partnership Tax Credit Summary, and include the form with the partnership return. Attach a separate schedule showing the computation of any tax credits and the allocation of the credits among the partners.

If claiming any tax credit that is limited to 50% of the partnership's tax, less the sum of all other credits claimed, complete Form NC-478 and attach it to the front of the partnership return. The partnership must provide sufficient information about the tax credits to allow the partner to complete the Form NC-478 series.

#### Is a Partnership Required to Pay Estimated Tax?

A partnership is not required to make estimated income tax payments; however, if the partnership makes any prepayments of tax, enter the prepayment on Part 1, Line 14. A resident individual partner who meets the statutory requirements must file estimated tax on Form NC-40. *(For information on the requirements for paying estimated income tax, see Form D-401, Individual Income Tax Instructions, available from the Department's website.)* A nonresident individual partner is not required to pay estimated tax on his distributive share of partnership income.

### Does a Partnership Have a Payment Responsibility if it has Nonresident Partners?

The managing partner for every partnership required to file a North Carolina tax return that has one or more nonresident partners is responsible for reporting each nonresident partner's distributive share of the partnership's income and is required to compute and pay the tax due for each nonresident partner. If the nonresident partner is a corporation, partnership, trust or estate, the managing partner is not required to pay the tax on that partner's share of the partnership income provided the partner files Form NC-NPA, Nonresident Partner Affirmation.

If the additional tax is owed, the partnership may pay the tax online by bank draft (free), or credit or debit card using Mastercard or Visa (\$2 convenience fee for every \$100 paid). This online service is accurate, secure, and convenient. For details, visit the Department's website.

**Form NC-NPA.** Form NC-NPA affirms that the partner will pay the tax with its corporation, partnership, trust or estate income tax return. In such cases, a copy of Form NC-NPA must be attached to the partnership return when it is originally filed. The Form NC-NPA must be signed by the partner. An unsigned form is not considered valid. A new Form NC-NPA must be provided by the nonresident partner and submitted by the managing partner each year. The signed Form NC-NPA applies to the original return, any amended return for that year, and any proposed assessments of additional tax for that year.

A nonresident partner that is an individual or grantor trust cannot file Form NC-NPA and the managing partner is required to compute and pay the tax due for all nonresident partners that are individuals or grantor trusts. A nonresident individual partner is not required to file a North Carolina income tax return when the only income from North Carolina sources is the nonresident's share of income from a partnership doing business in North Carolina, and the manager of the partnership pays the tax due for the nonresident partner. Payment of the tax due by the managing partner on behalf of corporations, partnerships, trusts or estates that are partners does not relieve the partner from filing a North Carolina tax return. Credit for the tax paid by the managing partner on its behalf may be claimed on the partner's income tax return. The manager is authorized by statute to withhold the tax due from each nonresident partner's share of the partnership income. **Note:** If a nonresident partner is a tax-exempt organization as described in Section 501 of the Internal Revenue Code, the managing partner is not required to pay the tax unless the partnership income is from a business enterprise not related to the organization's tax-exempt purpose. Also, the managing partner is not required to pay the tax for nonresident partners who serve as investment vehicles for investing in IRAs and other qualified retirement plans.

### Will a Partnership Owe Interest and Penalties?

**Interest.** If the managing partner does not pay the total amount of taxes owed for each nonresident partner, the Department is required to charge interest on any unpaid tax. Interest is computed at the applicable rate from the original due date to the date of payment, whether or not the partnership has been granted an extension. To obtain the current interest rate, visit the Department's website. If the partnership pays tax for nonresident partners after the original due date, compute the amount of interest due and include the interest on Form D-403, Line 16b.

**Failure to File an Informational Return.** Returns filed after the original due date without a valid extension are subject to a penalty of \$50 per day, up to a maximum of \$1,000. The penalty applies to any partnership return filed after the due date, regardless of whether the return reflects a tax due, an overpayment, or no tax due. If the return is filed late, compute the amount of penalty due and include the penalty on Form D-403, Line 16a.

**Failure to File Penalty.** Returns filed after the original due date without a valid extension, are subject to penalty of 5% of the net tax due for each month, or part of a month, the return is late (maximum 25%). The penalty applies to partnership returns filed after the due date that reflect a tax due for nonresidents partners. If the return is filed late, compute the amount of penalty due and include the penalty on Form D-403, Line 16a.

**Failure to Pay Penalty.** Returns filed after the original due date are subject to a late payment penalty of 10% of the unpaid tax for nonresident partners. If the return is filed late and additional tax is due on behalf of nonresident partners, compute the amount of penalty due and include the penalty on Form D-403, Line 16a. **Note:** If the partnership has an extension of time for filing its return, the 10% late payment penalty will apply on the remaining balance due if the tax paid by the due date of the return is less than 90% of the total amount of tax due. If the 90% rule is met, any remaining balance due must be paid with the partnership return on or before the expiration of the extension period to avoid the late payment penalty. In addition, penalties are provided by law for willful failure to file a return on time and for willful attempt to evade or defeat the tax.

### How do I Amend a Partnership's Return?

If filing an amended return, fill in the appropriate circle located on Page 1 of Form D-403. A complete explanation as to the reason(s) for filing an amended return, including specific schedule and line number references, must be provided in the space provided on Page 4 of the return.

**Important:** The manager of a partnership may not request a refund of an overpayment made on behalf of a nonresident owner or partner if the manager of the business has already filed the partnership return and paid the tax due. The nonresident owner or partner may, on its own income tax return, request a refund of an overpayment made on its behalf by the manager of the partnership.

### Before You Begin?

If you are filling out Form D-403 by hand, please use black or blue ink only. Do not use red ink or pencil. Print your letters and numbers neatly. Do not use brackets or other symbols to indicate the amount is negative. If you do not have an entry for a particular line, leave it blank. Do not use dashes, zeros or other symbols to indicate that you have no entry for that line. If an amount is negative, enter the amount and fill in the circle next to the line number to indicate that the amount is negative. For example:

●   , 12,345 .00

If you are completing a web-fill form on the Department's website, enter a minus sign to indicate a negative number. For example:

-12345.00

## Demographic and Other Taxpayer Information

**Name, Address, and Identification Numbers.** Print or type the partnership's name, address, federal identification number, and North Carolina Secretary of State number (when applicable) on the appropriate lines.

**Federal Extension.** Fill in the circle to certify that the partnership was granted an automatic extension to file the partnership's 2019 federal income tax return. **Important:** The partnership must certify that the partnership was granted an automatic federal extension; otherwise, your state return will be subject to applicable penalties. *(For more information, see "Can a Partnership Get an Extension to File?" on Page 2 of these instructions.)*

## SPECIFIC LINE INSTRUCTIONS

### Part 1 - Informational Return and Computation of Income Tax Due or Refund for Nonresident Partners

**Line 1. Total Income or Loss.** Enter the total amount of income or loss for the partnership. Before making this entry, the partnership must complete Part 5 and Part 6. *(For more information see "Ordinary Business Income (Loss)" and "Partners' Distributive Share Items" on Page 5 of these instructions.)*

**Line 2. Guaranteed Payments to Partners.** Enter the total amount of guaranteed payments made to all partners for services or for the use of capital. Guaranteed payments received by a nonresident partner must be apportioned or allocated to North Carolina on the same basis as other partnership distributive income. On Page 3, Part 4, enter the amount of guaranteed payments received by each nonresident partner that is apportionable on Line 9 and the amount of guaranteed payments received by each nonresident partner that is allocable to North Carolina on Line 14.

**Line 4. Additions to Income.** Certain additions to income are required in calculating North Carolina partnership income to the extent the additions are not included in income. Before making this entry, complete Part 7. *(For more information see "Adjustments to Income (Loss)" on Page 5 of these instructions.)*

**Line 6. Deductions from Income.** Certain deductions from income are permitted in calculating North Carolina partnership income to the extent the deductions are included in income. Before making this entry, complete Part 7. *(For more information see "Adjustments to Income (Loss)" on Page 5 of these instructions.)*

**Line 8. Nonapportionable Net Distributive Partnership Income.** When a partnership has income from sources within North Carolina as well as sources outside North Carolina a determination of apportionable and nonapportionable income must be made. If the partnership's business is both within and outside of North Carolina, complete Part 3, Nonapportionable Net Distributive Partnership Income on Page 2 and enter the total amount of nonapportionable income from Column D on Line 8.

**Line 9. Apportionable Net Distributive Partnership Income.** All income apportionable under the U.S. Constitution is apportioned to North Carolina and to other states based on the apportionment factor. Subtract Line 8 from Line 7 and enter the amount on Line 9.

**Line 10. Nonapportionable Net Distributive Partnership Income Allocated to North Carolina.** Complete Part 3, Nonapportionable

Net Distributive Partnership Income, on Page 2. Enter on Line 10 the amount of nonapportionable income allocated directly to this State from Column E.

## Nonresident Partners

**Line 11. Tax Due for Nonresident Partners.** Complete Part 4 to determine the tax due for nonresident partners. Enter on Line 11 the total amount of tax due for nonresident partners on whose behalf the partnership pays North Carolina income tax. **Important:** Line 11 must equal the partners' total as calculated on Part 4C, Line 18.

**Line 12. Tax Credits Allocated to Nonresident Partners.** Complete Part 4 to determine the amount of tax credits allocated to nonresident partners. Enter on Line 12 the total amount of tax credits allocated to nonresident partners on whose behalf the partnership pays North Carolina tax. **Important:** Line 12 must equal the partners' total as calculated on Part 4C, Line 19.

**Line 13. Net Tax Due for Nonresident Partners.** Subtract Line 12 from Line 11. **Important:** Line 13 must equal the partners' total as calculated on Part 4C, Line 20.

**Lines 14a through 14e. Payments.** On Lines 14a through 14d, enter only the amount of payments attributable to nonresident partners on whose behalf the partnership pays North Carolina income tax. Add Lines 14a through 14d and enter the total payments on Line 14e.

**Line 15.** Subtract Line 14e from Line 13. If Line 14e is less than Line 13, additional income tax is due. Enter the amount of tax due on Line 15. If Line 14e is more than Line 13, income tax is overpaid. Enter the amount of overpayment on line 15.

## Penalties and Interest

**Line 16a.** Enter the total amount of penalty due for the partnership for tax year 2019. By law, the Department may impose penalties against a taxpayer for failure to comply with the tax statutes. Statutory penalties include, but are not limited to, the following:

- Failure to file an information return on the date it is due (\$50 per day with a maximum of \$1,000),
- Failure to file a tax return on the date it is due (5% per month with a maximum of 25% on the amount of additional tax due), and
- Failure to pay tax when due (10% on the amount of additional tax due).

*(For more information on penalties that may apply to partnerships, see "Will a Partner Owe Interest and Penalty?" on Page 3 of the instructions.)*

**Line 16b.** If additional income tax is due on Line 15, compute the amount of interest due at the rate established by G. S. 105-241.1. Interest is due on taxes paid late even if an extension of time to file is granted. The rate is established semiannually by the Secretary of Revenue and is listed on the Department's website.

**Line 16c.** Add Lines 16a and 16b and enter the total on Line 16c.

**Line 17. Total Due.** Add Lines 15 and 16c and enter the total on Line 17, but not less than zero. This is the total tax, penalties, and interest due. **The manager of the partnership must pay this amount with the return.** Make the check or money order payable

to the North Carolina Department of Revenue. The Department will not accept a check or money order unless it is drawn on a U.S. (domestic) bank and the funds are payable in U.S. dollars.

**Line 18. Amount to be Refunded.** If the sum of Lines 15 and 16c is less than zero, enter the amount of overpayment to be refunded on Line 18.

### Part 2 - Apportionment Percentage for Partnerships That Have One or More Nonresident Partners

A partnership with one or more nonresident partners whose business activities in North Carolina are unified and integrated with its business activities in other states is required to apportion its partnership income to North Carolina by multiplying the income by a fraction, the numerator of which is the total sales of the partnership within North Carolina, and the denominator of which is the total sales of the partnership everywhere during the income year. G.S. 105-130.4 and the instructions for completing Form CD-405, C-Corporation Tax Return, should be consulted for detailed information regarding apportionment of income.

**Important:** Special apportionment provisions apply to certain types of businesses. The Department refers to the North American Industry Classification System (NAICS) as a means of determining whether a taxpayer's business operations require the use of a special apportionment provision. See G.S. 105-130.4 for definitions and other statutory requirements.

### Part 3 - Nonapportionable Net Distributive Partnership Income

"Nonapportionable income" means all income other than apportionable income. "Apportionable income" means all income that is apportionable under the U.S. Constitution. Nonapportionable income is not subject to apportionment, but is allocated. G.S. 105-130.4 and the instructions for completing Form CD-405, C-Corporation Tax Return, should be consulted for detailed information regarding nonapportionable income.

### Part 4A - Partners' Shares of Income, Adjustments, Tax Credits, and Other Items

**Line 4.** Enter the same percentage used for federal income tax purposes. (Line 4 is designed for partners whose share percentages for profits and losses are the same. If one or more partners have different share percentages for profits and losses, write "various" on Line 4 for that partner and attach a schedule to the return that explains the share percentages for that partner.)

**Line 6.** Enter each partner's share of the additions to income from Part 1, Line 4.

**Line 7.** Enter each partner's share of the deductions from income from Part 1, Line 6.

**Line 8.** Enter each partner's share of allowable tax credits. If necessary, attach a separate schedule showing the computation of any tax credit claimed. *(For a detailed explanation of available tax credits, see Form D-401, Individual Income Tax Instructions, available from the Department's website.)*

### Part 4B - Computation of North Carolina Taxable Income for Nonresident Partners

**Line 9.** Enter each nonresident partner's distributive share of the guaranteed payments that are applicable to the income reported on Part 1, Line 9.

**Line 14.** Enter each nonresident partner's distributive share of the guaranteed payments that are applicable to the income reported on Part 1, Line 10.

**Line 16.** Partnerships must identify each nonresident partner's share of separately stated income items and enter that amount on Form D-403, Page 3, Part 4, Line 16. For example, special rules apply for gain from the sale, exchange, or disposition of Internal Revenue Code section 1231 property on which a Code section 179 expense deduction was previously claimed. For federal purposes, the gain is not included at the entity level but instead is passed through separately to the individual partners. As a result, the gain is included in income on the partner's income tax return but is not included as part of the partner's share of the partnership's income. The partnership should assume that the partner claimed all Code section 179 expense allocated to the partner.

### Part 4C - Computation of Tax Due for Nonresident Partners on Whose Behalf the Partnership Pays the Tax

**Line 18.** Compute the tax due for each nonresident partner and enter the amount for each partner on Line 18.

**Line 20.** If the total amount of tax for each nonresident partner shown on Line 18 is more than each nonresident partner's tax credits shown on Line 19, subtract and enter the result on Line 20, Net Tax Due. Line 20 cannot be less than zero. Enter the net tax due for nonresident partners on Line 13, Page 1. The manager of the partnership is responsible for payment of the total tax, penalties, and interest due for each nonresident partner and must furnish each nonresident partner information to be included with his individual income tax return verifying the tax paid on his share of the partnership earnings in North Carolina.

### Part 5 - Ordinary Business Income (Loss)

The computation of net income from trade or business activities follows the determination of ordinary income as defined by the Internal Revenue Code. Partnerships must transfer the information from federal Form 1065, U.S. Income Return for Partnership Income (Lines 1 through 22), to Part 5, or attach a copy of the federal form along with all supporting schedules.

### Part 6 - Partners' Distributive Share Items

**Line 1.** Enter the ordinary business income (loss) as taken from federal Form 1065, Line 22 or from Part 5, Line 22.

**Lines 2-11.** Add income or deduct losses on Lines 2 through 11 that are directly passed to the partners as shown on federal Schedule K, Lines 2 through 11.

**Line 12.** Total of Lines 1 through 11; enter on Part 1, Line 1.

### Part 7 - Adjustments to Income (Loss)

Certain adjustments must be made to the partnership's taxable income when calculating North Carolina taxable income. Specifically, a partner's income (loss) is subject to the same additions and deductions that are required of individuals. Part 7 lists some of the adjustments required by statute but is not all-inclusive. *(For a detailed list of State adjustments, see G.S. 105-153.5(b), (c), (c1), (c2), and Form D-401, Individual Income Tax Instructions available from the Department's website).* **Note:** Only the adjustments allowed by North Carolina law can be claimed on the partnership return. Deductions reported on Federal Form 1065, Schedule K, Lines 12 and 13 cannot be claimed on the North Carolina D-403.