



February 24, 2020

Important Notice: Changes in Requirements for Applying for a North Carolina Extension

The purpose of this notice is to inform taxpayers of an important change to the requirements for applying for an extension of time to file a North Carolina income tax return. Effective for tax years beginning on or after January 1, 2019, the North Carolina General Assembly amended [N.C. Gen. Stat. § 105-263](#) to provide an exception to the extension application requirements set forth by the Secretary of Revenue (the Department's "Extension Application Requirements"). [Session Law 2018-5](#) (SB 99).

Exception to Extension Application Requirement

Effective for taxable years beginning on or after January 1, 2019, a taxpayer who is granted an automatic extension of time to file a federal income tax return is granted an automatic six-month extension to file the corresponding State income tax return and franchise tax return. The taxpayer must certify on the State tax return that the taxpayer was granted a federal extension. The exception applies to all income and franchise tax filers, including individuals, corporations, partnerships, as well as estates and trusts.

Prior to tax year 2019, North Carolina did not accept an approved federal extension in lieu of filing a North Carolina extension application. Instead, a taxpayer could only receive an extension of time to file a North Carolina income tax return by complying with the Department's Extension Application Requirements.¹ Under these requirements, a taxpayer was required to file a North Carolina extension form by the original due date of the tax return. If a taxpayer filed the extension form after the original due date of the tax return, the extension request was denied.

North Carolina Extension Application Process Effective for Tax Years Beginning on or after January 1, 2019

The Department's Extension Application Requirements remain in effect for taxpayers that do not qualify for the exception created by Session Law 2018-5. As a result, a taxpayer can receive an automatic six-month extension of time to file a North Carolina income tax return by utilizing either of the following methods:

¹ See N.C. Gen. Stat. § 105-263(b), 17 NCAC 06B .0107, 17 NCAC 05C .2004, and 17 NCAC 05B .0107.

- Apply for a North Carolina extension with the Department of Revenue by the original due date of the State income or franchise tax return.
- Apply for a federal extension with the Internal Revenue Service (“IRS”) by the original due date of the federal income tax return. A taxpayer who is granted an automatic extension by the IRS to file a federal income tax return is granted an automatic State extension to file the corresponding North Carolina income tax return and franchise tax return. The taxpayer must certify on the State income and franchise tax return that the person was granted a federal extension.

To certify that a federal income tax extension was granted, a taxpayer must fill in the “federal extension” circle located on Page 1 of the return. If the taxpayer files the State income or franchise tax return after the original due date of the return and does not fill in the “federal extension” circle, the tax return is considered delinquent and is subject to applicable penalties.

If a taxpayer is granted a federal income tax extension, the taxpayer does not have to apply for a separate North Carolina extension. An approved federal extension gives a taxpayer more time to file the North Carolina income or franchise tax return but does not extend the time for payment of the tax due.

If the taxpayer does not pay all of the income taxes due by the original due date of the North Carolina income tax return, the taxpayer will owe interest and may owe a late payment penalty on the remaining tax due.² To avoid interest and penalty, the taxpayer should remit the amount of North Carolina tax due by the original due date of the return using the applicable North Carolina extension form even if the taxpayer is granted a federal extension. The State’s extension applications are available from the [Department’s website](#).

Assistance

If you have any questions about this notice, you may call the North Carolina Department of Revenue Customer Service line at 1-877-252-3052 (8:00 am until 5:00 pm EST, Monday through Friday), or write to Customer Service, PO Box 1168, Raleigh, NC 27602.

To the extent there is any change to a statute or regulation, or new case law subsequent to the date of this notice, the provisions in this important notice may be superseded or voided. To the extent that any provisions in any other notice, directive, technical bulletin, or published guidance regarding the subject of this notice and issued prior to this notice conflict with this important notice, the provisions contained in this important notice supersede the previous guidance.

² The failure to pay penalty applies when the taxpayer fails to pay 90% of the tax owed by the original due date of the return.