



May 6, 2020

**Important Notice: Waiver of Interest and Other Economic Support
to North Carolina Taxpayers in Response to the Coronavirus Disease 2019
(COVID-19)**

The purpose of this important notice is to inform taxpayers affected by the COVID-19 pandemic of expanded tax relief for certain individuals and businesses. On May 4, 2020, Governor Roy Cooper signed [Session Law 2020-3](#), which adjusts certain tax filing deadlines to mirror the relief provided by the Internal Revenue Service. The legislation also extends certain State tax-related deadlines.

Waiver of Interest on Underpayments of Tax

Under [Session Law 2020-3](#), the Department will not charge interest on an underpayment of tax due on a franchise, corporate income, or individual income tax return, including a partnership tax return and an estate and trust tax return, (collectively “Affected Tax Returns”) due to be filed between April 15, 2020, and July 15, 2020 (collectively, the “COVID Period”). As enacted, interest will not accrue (accumulate) on an underpayment of tax during the COVID Period. Importantly, interest will begin accruing on underpayments of tax beginning July 16, 2020.

Example 1:

For tax year 2019, John Doe is a calendar year taxpayer subject to North Carolina individual income tax. John Doe’s 2019 Individual Income Tax Return, Form D-400, was due on April 15, 2020. John Doe did not file his Form D-400 by April 15, 2020. On or before July 15, 2020, John Doe determines that he has an additional North Carolina income tax liability of \$500 for 2019.

On July 15, 2020, John Doe files his 2019 Form D-400 with the Department and pays the additional \$500 with the return. Because John Doe paid his tax liability on or before July 15, 2020, John Doe does not owe interest on the \$500 tax liability. John Doe will also not receive an assessment for failure to file a tax return when due or an assessment for failure to pay tax when due on the \$500 tax liability pursuant to previously announced relief provided by the Department.¹

Example 2:

For tax year 2019, ABC Corporation is a calendar year C-Corporation subject to North Carolina franchise and corporate income tax. ABC Corporation’s 2019 C-Corporation Tax Return, Form

¹ In March 2020, the Department [extended the deadline](#) for filing North Carolina individual income, corporate income, and franchise tax returns due on April 15, 2020, to July 15, 2020. In addition, the Department announced it [would not charge certain penalties](#) for those taxpayers whose tax returns and tax payments were due on April 15, 2020, as long as the return is filed and the tax is paid on or before July 15, 2020.

CD-405, was due April 15, 2020. ABC Corporation did not file Form CD-405 by April 15, 2020. On or before July 15, 2020, ABC Corporation determines that it has an additional North Carolina tax liability of \$1,000 for tax year 2019.

On or before July 15, 2020, ABC Corporation applies for and is granted an automatic three-month extension to file its 2019 Form CD-405. ABC Corporation does not pay any additional State income tax with the extension application. Based on the extension, ABC Corporation's return is due on October 15, 2020.

On October 15, 2020, ABC Corporation files its 2019 Form CD-405 with the Department and pays the additional \$1,000 with the return. Because ABC Corporation did not pay its 2019 tax liability on or before July 15, 2020, ABC Corporation will receive an assessment for interest on the \$1,000 tax liability that accrued from July 16, 2020, through October 15, 2020.² The assessment will not include interest for the period April 15, 2020 through July 15, 2020 because ABC Corporation's tax return was originally due on April 15, 2020, which is during the COVID Period, and thus qualified for interest relief until July 15, 2020.

Example 3:

For tax year 2017, Jane Doe is a calendar year taxpayer subject to North Carolina individual income tax. Jane Doe did not file an Individual Income Tax Return, Form D-400, for tax year 2017 and did not make any tax payments for tax year 2017.

On July 1, 2020, the Department discovers Jane Doe owes the Department \$10,000 in individual income tax for tax year 2017. The Department issues a notice of proposed assessment for underpaid individual income tax, penalty, and interest.

On August 1, 2020, Jane Does pays the tax found due on the proposed assessment. Jane Doe owes interest from April 15, 2018, the original due date of the return, through August 1, 2020, the date she pays the tax. Jane Doe does not qualify for any interest relief because her 2017 individual income tax return was due prior to the COVID Period.

Waiver of Interest on Underpayment of Estimated Tax Payments

N.C. Gen. Stat. §§ [105-163.15](#) and [105-163.41](#) require the Secretary to assess interest on an underpayment of estimated tax by an individual or corporation (collectively "taxpayers"). In general, if a taxpayer does not pay enough income tax throughout the year, either through withholding or by making estimated tax payments, the Secretary is required to charge interest on the amount of underpayment.

Under [Session Law 2020-3](#), the relief from interest also applies to estimated tax payments due pursuant to N.C. Gen. Stat. §§ [105-163.15](#) and [105-163.41](#). Accordingly, the Secretary will waive the accrual of interest, during the COVID Period, owed on estimated tax payments due during the COVID Period.

² ABC Corporation will also be assessed a penalty for failure to pay tax when due because the additional tax was not paid on or before July 15, 2020.

How to Obtain a North Carolina Interest Waiver

The interest waiver during the COVID Period is automatic – no action is required. However, if you receive a notice that includes interest waived pursuant to the provisions of [Session Law 2020-3](#), call the Department at 1-877-252-3052, or mail Form NC-5502, Special Penalty and Interest Waiver Request, to the Department at the address printed on the form to request a waiver. The NC-5502 is available on the Department’s website, www.ncdor.gov.

If you do not have access to Form NC-5502, you may mail a letter to the Department requesting a waiver of interest. The letter should contain your name, address, SSN or FEIN, Account ID, tax type, and tax period for which you seek a waiver of interest. You should mail the letter to the North Carolina Department of Revenue, Customer Service, P.O. Box 1168, Raleigh, NC 27602.

Extension of the Statute of Limitations for Refunds

[N.C. Gen. Stat. § 105-241.7](#) provides the procedures a taxpayer must follow in order to obtain a refund of an overpayment. In general, a taxpayer may request a refund of an overpayment by filing an amended return or a claim for refund within the statute of limitations for obtaining a refund. Pursuant to [N.C. Gen. Stat. § 105-241.6](#), the general statute of limitations for obtaining a refund of an overpayment is the later of the following:

- (1) Three years after the due date of the return, or
- (2) Two years after payment of the tax.

Under [Session Law 2020-3](#), if the statute of limitations for obtaining a refund for an Affected Tax Return expires during the COVID Period, the statute of limitations is extended to July 15, 2020.

Example:

In 2016, Jack Doe was a calendar year taxpayer subject to North Carolina individual income tax. In 2016, Jack Doe’s employer withheld \$500 in North Carolina income tax from Jack’s wages. Jack Doe’s individual income tax return, Form D-400, was due on or before April 18, 2017. Jack Doe did not file a Form D-400 for tax year 2016.

In February 2020, Jack Doe realized that he failed to file a 2016 Form D-400. On July 1, 2020, Jack Doe files Form D-400 and requests a refund of \$200.

Jack Doe’s refund claim is timely. Jack Doe’s statute of limitations to obtain a refund expired on April 20, 2020, three years after the due date of his 2016 Form D-400. Because Jack Doe’s statute of limitations to obtain a refund of individual income tax expired during the COVID Period, he could file a refund claim on or before July 15, 2020, for the calendar year 2016.

Extension of Certain Tax-Related Administrative and Appeals-Related Deadlines

Taxpayers who receive a proposed assessment of tax or a proposed denial of refund from the Department have the right to challenge the Department’s action. Taxpayers that disagree with the Department’s action may request a Departmental review of the proposed action using the procedures described in [N.C. Gen. Stat. § 105-241.11](#). Importantly, under [N.C. Gen. Stat. § 105-241.11\(a\)](#), the request for review must be filed with the Department within 45 days from the date the notice was mailed to the taxpayer or delivered (in person) to the taxpayer.

Under [Session Law 2020-3](#), a request for Departmental review required to be filed with the Department on or after April 1, 2020, and before July 15, 2020 (collectively the “COVID Appeal Period”) will be considered timely if the request is filed with the Department on or before July 15, 2020. The relief also applies to the following time-sensitive actions when the action is required to be completed by a Taxpayer during the COVID Appeal Period:

- 1) Petitions for a contested case hearing at the Office of Administrative Hearings (“OAH”) under [Article 3 of Chapter 150B of the General Statutes](#) and [N.C. Gen. Stat. § 105-241.15](#);
- 2) Petitions for judicial review under [Article 4 of Chapter 150B of the General Statutes](#) and [N.C. Gen. Stat. § 105-241.16](#).

The extension of time to request a Departmental review, to file a petition for a contested case hearing, and to file a petition for judicial review applies to all tax types subject to [N.C. Gen. Stat. § 105-241.11](#), including franchise, corporate income, individual income, and sales and use tax.

Example:

On Wednesday March 2, 2020, the Department mailed XYZ Corporation a notice of proposed assessment for underpaid sales and use tax for the period February 1, 2015 through January 31, 2020. XYZ Corporation does not agree with the Department’s notice of proposed assessment.

On July 6, 2020, (127 days from the date of the proposed notice) XYZ Corporation files a request for Departmental review of the proposed assessment.

XYZ Corporation’s request for Departmental review is timely. XYZ Corporation had until April 16, 2020, forty-five days from March 2, 2020, to request Departmental review of the proposed assessment. Because the period to request review ended during the COVID Appeal Period, XYZ Corporation could file a timely request for Departmental review on or before July 15, 2020.

Other Relief

The Department announced other tax relief related to COVID-19. To receive the latest information on the Department’s response to COVID-19, visit the [Department’s website](#)

Assistance

If you have any questions about this notice, you may call the Department’s Contact Center at 877-252-3052 (7:00 am until 5:00 pm EST, Monday through Friday), or write the Department at P.O. Box 1168, Raleigh, NC 27602-1168.

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 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 notice, the provisions contained in this notice supersede the previous guidance.