

NC-3 Instructions for Form NC-3 Annual Withholding Reconciliation

Form NC-3 and the required W-2 and 1099 statements, (collectively “Form NC-3”) must be filed electronically. To file Form NC-3 electronically, visit the Department’s website at www.ncdor.gov. A return not filed electronically is subject to a penalty for failure to file an informational return in the proper format. **Important:** If you have electronically filed Form NC-3, do not mail the paper copies of these forms and statements to the Department. For additional information on Form NC-3 including Frequently Asked Questions, see eNC3 webpage located on the Department’s website at www.ncdor.gov/enc3.

General Instructions

Form NC-3 reconciles the total North Carolina income tax withheld as listed on the W-2 and 1099 statements with the amount of tax reported as withheld for the year. If you are required to withhold or you voluntarily withheld North Carolina income taxes, you must file Form NC-3. **Important:** If you do not have a requirement to file Form NC-3, you may still have a requirement to file certain W-2 and 1099 statements with the Department.

Due Date - Unless you terminate your business, Form NC-3 and the State’s copy of each required Form W-2, Form W-2G, Form NC-1099M, Federal Form 1099-NEC, Federal Form 1099-MISC, Federal Form 1099R, and Federal Form 1042-S must be filed with the Department on or before January 31 for the preceding calendar year. Other reports of 1099 information (such as interest, rents, premium, dividends, etc.) must be filed with the Department on or before the due date of Form NC-3, if the payment amounts meet the federal information return reporting thresholds and the payments have not been reported to the Internal Revenue Service.

If you terminate your business, you must file Form NC-3 and all required W-2 and 1099 statements that are available to you on or before the last day of the month following the end of the calendar quarter in which you closed your business. You must file the remaining W-2 and 1099 statements when they become available to you, but no later than January 31 of the following year.

Penalties - By law, the Department may impose the following penalties against a taxpayer for failure to comply with the tax statutes:

- failure to file an informational return timely (\$50 per day with a maximum of \$1,000),
- failure to file an informational return in the proper format (\$200),
- 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 (at the applicable rate listed below).

From January 1, 2022, through June 30, 2022, the applicable rate is 10% of the tax due, regardless of how late the tax is paid. Beginning July 1, 2022, the applicable rate is 2% of the tax due per month with a maximum of 10% of the tax due. The failure to pay penalty will not be assessed if the amount of tax shown due on the return is paid on or before the due date of the return.

Specific Instructions

Lines 1-12: Enter the amounts of North Carolina income tax reported as withheld in the appropriate space. **Monthly filers** enter the amount reported as withheld on each line. **Quarterly filers** enter the amount reported as withheld on Lines 3, 6, 9, and 12. **Semiweekly filers** enter the amount reported as withheld on Forms NC-5Q on Lines 3, 6, 9, and 12.

Line 13: Add the amounts listed in Lines 1 through 12.

Line 14: Enter the amount of North Carolina income tax withheld from wages as reported on wage and tax statements (W-2 statements).

Line 15: Enter the amount of North Carolina income tax withheld as reported on 1099 statements. This includes North Carolina tax withheld from (1) personal services compensation paid to nonresidents, (2) compensation paid to contractors identified by an individual taxpayer identification number (ITIN), including applied for and expired

numbers, (3) compensation paid to individuals or entities that fail to provide the payer with a taxpayer identification number, (4) compensation paid to individuals or entities who provided invalid taxpayer identification numbers to the payer and the payer was notified by the Department that the taxpayer identification number is invalid, and (5) pensions, annuities, and deferred compensation.

Line 16-19: Compare the amounts on Line 16 and Line 17. If the amount on Line 16 and the amount on Line 17 are the same, skip to Line 21. If the amount on Line 16 and the amount on Line 17 are not the same amount, your account is either overpaid or underpaid.

If the amount on Line 16 is more than the amount on Line 17, the account is **overpaid**. Subtract Line 17 from Line 16 and enter the amount of overpayment on Line 18. If the amount of Line 16 is less than the amount of Line 17, the account is **underpaid**. Subtract Line 16 from Line 17 and enter the amount of underpayment on Line 19.

Line 20: If additional tax is due, enter the amount of accrued interest. The interest rate is set semiannually by the Secretary of Revenue and is published on the Department's website at www.ncdor.gov.

Line 21: (a) If the return is not filed by the due date, multiply the number of days the return is late by \$50 and enter the amount or \$1,000, whichever is smaller. (b) If you did not file Form NC-3 and all required W-2 and 1099 statements electronically, enter \$200. For more information, see G.S. 105-236(a)(10).

Add Lines 21a and 21b and enter the total on Line 21c.

Line 22: If Line 18 is blank or zero, skip to Line 23.

If Line 18 is more than Line 21c, subtract Line 21c from Line 18. **This is the amount of refund requested.**

If Line 21c is more than Line 18, subtract Line 18 from Line 21c and enter the total amount due with the return on Line 23.

Line 23: Add Lines 19, 20, and 21c. **This is the total amount due with the return.**