

Important Notice: North Carolina Temporarily Reduces the Late Payment Penalty

The purpose of this notice is to inform taxpayers of recent changes to how the penalty for failure to pay a tax when due is calculated.

Summary of Law Change

In general, [N.C. Gen. Stat. § 105-236\(a\)\(4\)](#) requires the North Carolina Department of Revenue (“Department”) to assess a penalty for Failure to Pay Tax When Due (“Penalty”) if you do not pay the amount of tax you owe on your North Carolina tax return (“Return”) by the due date of the Return. The Penalty is a percentage of the net tax¹ you did not pay by the due date² of the Return.

In 2021, the General Assembly enacted legislation to change the calculation of the Penalty from the current flat rate of ten percent (10%) to a graduated rate.³ The change was to be effective for taxes assessed on or after July 1, 2022.

On June 29, 2022, Governor Cooper signed [Session Law 2022-13](#) (House Bill 83). This new law made several changes to the State’s tax laws. For purposes of this notice, the legislation continues the current Penalty rate of ten percent (10%) through December 2022, temporarily reduces the Penalty rate to five percent (5%) from January 2023 to June 2024, and then reintroduces the graduated Penalty rate in July 2024.

The following table summarizes these changes:

Tax Assessed		
On	Through	Rate of Penalty
July 1, 2022	December 31, 2022	10%
January 1, 2023	June 30, 2024	5%
July 1, 2024	To Be Determined	2% for the first month the tax is not paid, increased by 2% for each succeeding month, not to exceed 10%

¹ “Net tax” is the amount of tax required to be shown on the Return less any timely payments of the tax and allowable tax credits.

² For purposes of North Carolina franchise tax and North Carolina income tax, an extension of the time to file a return does not extend the due date of the payment or any other return, an extension of the time to file a return extends the due date of the payment. [N.C. Gen. Stat. § 105-263\(b\)](#).

³ See SB 105, s. 42.11.(a); [S.L. 2021-180](#).

Assistance

If you have any questions about this notice, you may call the North Carolina Department of Revenue Customer Interaction Center at 1-877-252-3052 (7:00 am until 4:30 pm EDT, 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 important notice supersede the previous guidance.