NC-478 - Summary of Tax Credits Limited to 50% of Tax

Part 1. Tax Credits Subject to 50% of Tax Limitation. After completing the applicable parts on the NC-478 series forms, enter the “Credit Amount to Take in Tax Year 2010” from each form on the appropriate line in Part 1 of NC-478. Add Lines 1 through 18 and enter the total on Line 19. This is the total amount of tax credits available in 2010 subject to the 50% of tax limitation.

If claiming a credit for use of North Carolina ports, call the State Ports Authority toll-free at 1-800-334-0682 or (910) 343-6414 for further information. If claiming a credit for cigarettes for export, cigarettes for export while increasing employment, substantial investment, development zone projects, small business health insurance, work opportunity, constructing a railroad intermodal facility, biodiesel producers, donating funds to a nonprofit organization, or small business unemployment insurance complete and attach a separate schedule showing how you calculated the credit.

Individuals, partnerships, and trusts or estates enter the credits only in the income column because franchise tax is not required for these types of entities. Partnerships enter only the portion of each credit that is allocable to their nonresident partners on whose behalf the managing partner pays the tax. All corporations may elect to claim each credit against franchise income tax except for the credit for use of North Carolina ports, the credit for manufacturing cigarettes for export, or the credit for manufacturing cigarettes for export while increasing employment. Those three credits may only be claimed against income tax.

The credit for technology commercialization (Article 3A), the credit for creating jobs (Article 3J), the credit for investing in business property (Article 3J), and the credit for investing in real property (Article 3J) may be divided between franchise and income tax. The election of which tax the Article 3J credits will be claimed against or what percentage of the credits are applied against each tax is allowed without regard to the original election regarding the division of the credit. However, the election for the credit for technology commercialization under Article 3A is binding for all future installments and carryforwards of that credit.

S corporations enter the total amount of credit being applied against franchise tax. However, S corporations enter in the income column only the portion of each credit that is allocable to the nonresident shareholders on whose behalf a composite return is filed. Insurance companies may claim the credits against the gross premiums tax by entering the total amount of credit in the franchise column.

Part 2. Computation of 50% Limit. Complete Part 2 to determine if the total credits calculated in Part 1 must be reduced because the total credits available in 2010 exceed 50% of the tax due in 2010 less other credits not subject to the 50% of tax limit.

Line 20 - Individuals enter the amount of tax due from form D-400, Line 16. Partnerships add the amounts on form D-403, Part 3, Lines 18a and 18b for each nonresident partner and enter the total. Trusts and estates enter the amount of tax due from form D-407, Line 8.

Corporations enter the amount of franchise tax due from form CD-405, Schedule A, Line 5, in the franchise column, and the amount of income tax due from form CD-405, Schedule B, Line 28, in the income column. S corporations enter the amount of franchise tax due from form CD-401S, Schedule A, Line 5, in the franchise column and the amount of income tax due for nonresident shareholders filing composite from form CD-401S, Schedule B, Line 23, in the income column. Insurance companies enter the total amount of gross premiums tax.

Line 21 - Individuals enter the amount from form D-400TC, Line 34. Corporations enter the amount from form CD-425, Part 1, Line 6, in the franchise column, and the amount from form CD-425, Part 3, Line 24, in the income column. Partnerships enter the amount from form D-403TC, Line 8. Trusts and estates enter the amount from form D-407TC, Line 9.

Line 24 - Enter the lesser of Part 1, Line 19, or Part 2, Line 23.

Part 3. Amount of Each Credit Taken in 2010. If the amount of available credits on Part 1, Line 19 is less than the amount on Part 2, Line 23, then the total amount of eligible tax credits available in 2010 does not exceed 50% of the 2010 tax liability. Enter on Part 3, Line 25 through 42 the same amounts entered on Part 1, Lines 1 through 18.

If the amount of available credits on Part 1, Line 19, is greater than the amount on Part 2, Line 23, then the total amount of eligible tax credits available in 2010 exceeds 50% of the 2010 tax liability. The amount of eligible tax credits from Part 1, Line 19, must be reduced to equal the amount on Part 2, Line 24. A taxpayer may choose how to allocate the allowable amount of credit (Line 24) among the credits for which it is eligible (Lines 1 through 18) by completing Lines 25 through 42. If the amount of eligible credit in Part 1 exceeds the amount of allocated credit in Part 3, a taxpayer may be eligible to carry forward the excess amount to the next year.

Line 43 - Add Lines 25 through 42 and enter the total. This amount can not exceed the amount on Part 2, Line 24. This is the total amount of tax credits actually taken in 2010.

Individuals enter the amount of tax credits on form D-400TC, Part 4, Line 35. Partnerships enter the amount of tax credits on form D-403TC, Part 2, Line 11. Trusts and estates enter the amount of tax credits on form D-407TC, Part 2, Line 12. Corporations enter the total amount of tax credits applied against franchise tax on form CD-425, Part 2, Line 10, and the total amount of tax credits applied against income tax on form CD-425, Part 4, Line 28. Insurance companies claim the amount of tax credits on the gross premiums tax return.