

# Instructions for 2011 NC-478 Series

## Purpose of the NC-478 Series

Use the NC-478 series to calculate and report tax credits that are limited to 50% of tax less the sum of all other tax credits claimed. Forms for the NC-478 series are used to calculate the specific credits available without regard to the 50% limitation and are designed to report a taxpayer's activity at an establishment or at a county level. If a taxpayer engages in an activity that qualifies for a credit at more than one establishment or county, a separate form must be filed for each credit. For additional information regarding the calculation of tax credits for multiple establishments or multiple counties, see the specific instructions for each credit. **Note.** The NC-478I is designed to report a taxpayer's activity throughout the State.

## General Instructions

The NC-478 series consists of the NC-478 summary form and the applicable NC-478 letter series form for the credit. If no letter series form applies to the credit, file a schedule setting out the required information.

Listed below are the tax credits that are subject to the 50% of tax limitation and the applicable NC-478 series form on which the credit is claimed:

### Article 3A Credits - Tax Incentives for New and Expanding Businesses

- Creating New Jobs (NC-478A)
- Investing in Machinery and Equipment (NC-478B)
- Investing in Central Office or Aircraft Facility Property (NC-478E)
- Research & Development (NC-478)
- Worker Training (NC-478)
- Technology Commercialization (NC-478)
- Substantial Investment in Other Real Property (NC-478)
- Contributions to Development Zone Projects (NC-478)

### Article 3B Credits - Business and Energy Tax Credits

- Investing in Renewable Energy Property (NC-478G)
- Renewable Fuel Facility (NC-478)
- Small Business Health Insurance (NC-478)
- Biodiesel Producers (NC-478)
- Work Opportunity (NC-478)
- Donating to a Nonprofit Organization for Investing in Renewable Energy Property (NC-478)
- Renewable Energy Property Facility (NC-478)

### Article 3E Credits - Low-Income Housing Tax Credits

- Low-Income Housing (NC-478H)

### Article 3F Credits - Technology Development

- Research and Development (NC-478I)
- Interactive Digital Media (NC-478J)

### Article 3J Credits - Tax Credits for Growing Businesses

- Creating New Jobs (NC-478J)
- Investing in Business Property (NC-478K)
- Investing in Real Property (NC-478L)

### Article 3K Credits - Incentives for Railroad Intermodal Facilities

- Constructing a Railroad Intermodal Facility (NC-478)

### Other Credits Subject to the 50% of Tax Limit

- Use of North Carolina Ports (NC-478)
- Manufacturing Cigarettes for Export (NC-478)
- Manufacturing Cigarettes for Export While Increasing Employment (NC-478)

All of the tax credits listed are available to individuals, partnerships, estates, trusts, and corporations except the tax credit for manufacturing cigarettes for export, and the tax credit for manufacturing cigarettes for export while increasing employment, which are available only to corporations. Insurance companies with a gross premiums tax liability can claim any of the Article 3A credits or the Article 3J credits.

## When to File

Both the NC-478 and any applicable NC-478 series form must be filed for any taxable year in which the taxpayer is eligible to claim a credit or an installment of a credit against the taxpayer's tax liability for that year. This requirement applies even if the taxpayer's tax liability for that year is not large enough for the taxpayer to benefit from the credit.

Place the NC-478 forms or alternative schedules at the front of the tax return, behind the CD-V payment voucher, NC-478V-J payment voucher, and the CD-479 Annual Report Form. **Important. Failure to include a form or required document with your tax return may result in the disallowance of these tax credits.**

**Deadline for filing.** To claim a credit against your tax liability for 2011, you must file both the NC-478 and the applicable NC-478 series form **within 6 months after the due date for filing the tax return**, including any extensions of that date. The following example illustrates this requirement:

A calendar year taxpayer creates 10 new qualifying jobs in 2011. The taxpayer files a timely extension on April 15, 2012, which extends the due date of the tax return to October 15, 2012. Applying the six month statute of limitations, the taxpayer has until April 15, 2013 to file the NC-478J and report the 2011 credit for claiming jobs. If the taxpayer does not file a timely extension by April 15, 2012, the NC-478J would have to be filed by October 15, 2012.

**Overdue Tax Debts.** A taxpayer is ineligible for an Article 3A tax credit or an Article 3J credit if the taxpayer has an overdue tax debt at the time the taxpayer claims an installment or carryforward of a credit. An "overdue tax debt" is defined as "any part of a tax debt

not paid within 90 days.” The term does not include a tax debt for which the taxpayer has entered into a valid installment agreement with the Department.

**Pass-through entities.** A pass-through entity must provide sufficient information about the tax credits to its owners or beneficiaries to allow them to complete the NC-478 series. The information must be provided on, or as an attachment to, the NC K-1 provided to the owner or beneficiary. An owner or beneficiary should add the credits passed through by a pass-through entity to any credits the owner or beneficiary qualifies for directly when completing the NC-478 series. *(See instructions for an example of the computation of these tax credits for pass-through entities.)*

**Short-period returns.** If a taxpayer is required to file more than one tax return during a year, each return constitutes a year for purposes of taking an installment of a credit or any unused portion of a credit.

**Fee for Article 3J Credits.** A taxpayer that engages in an activity that qualifies for an Article 3J credit must pay a \$500 fee for each Article 3J credit it intends to claim. **There is no maximum fee for Article 3J credits and no exclusions for establishments located in distressed areas.** If the activity is conducted by a pass-through entity, the pass-through entity, not its owners to which the credit is allocated, is subject to the fee.