Part 1. Tax Credits Subject to 50% of Tax Limitation. Most of the credits listed on Form NC-478 expired on or before January 1, 2016. Taxpayers may continue to take the remaining installments and carryforwards of prior years’ credits in Part 1. After completing the applicable parts on the NC-478 series form, enter the “Credit Amount to Take in Tax Year 2016” 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 2016 subject to the 50% of tax limitation.

If taking a credit for cigarettes for export, cigarettes for export while increasing employment, constructing a railroad intermodal facility, or donating funds to a nonprofit organization 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 take each credit against franchise or 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 taken 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 creating jobs in real property (Article 3J) may be divided between franchise and income tax. The election of which tax the Article 3J credits will be allowed 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 take 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 2016 exceed 50% of the tax due in 2016 less other credits not subject to the 50% of tax limit.

Line 20 - Individuals enter the amount of tax due from form D-400,