Form NC-478 - Summary of Tax Credit Limited to 50% of Tax

**Part 1. Tax Credits Subject to 50% of Tax Limitation.** After completing the applicable parts on Forms NC-478A through NC-478I, enter the “Eligible Credit Amount to Take in Tax Year 2004” from each form on the applicable line in Part 1 of Form NC-478. Add Lines 1 through 11 and enter the total on Line 12. This is the total amount of tax credits available in 2004 subject to the 50% of tax limitation.

**Note.** If claiming credit for use of North Carolina ports, constructing a renewable energy equipment facility, manufacturing cigarettes for export, investing in substantial real property, or contributing to a development zone project, complete and attach a separate schedule showing how you calculated the credit and fill in the applicable circle on Line 11.

**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 or income tax except for the credit for use of North Carolina ports, the credit for manufacturing cigarettes for export, or the credit for a renewable energy equipment facility. The credit for use of North Carolina ports, the credit for manufacturing cigarettes for export, and the credit for renewable energy equipment facility may only be claimed against income tax. The credit for technology commercialization may be divided between franchise and income tax. The election of which tax a credit will be claimed against or what percentage of the credit for technology commercialization will be applied against each tax is made at the time the first installment is claimed and 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 2004 exceed 50% of the tax due in 2004 less other credits not subject to the 50% of tax limit.

**Line 13 - Individuals** enter the amount of tax due from Form D-400, Line 14. **Partnerships** add the amounts on Form D-403, Part 3, Line 18 for each nonresident partner and enter the total here. **Trusts and estates** enter the amount of tax due from Form D-407, Line 8. **C 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 26, 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 22, in the Income column. **Insurance companies** enter the total amount of gross premiums tax.

**Line 14 - Individuals** enter the amount from Form D-400TC, Line 29. **Corporations** enter the total amount of franchise tax credits not subject to the 50% of tax limit from Form CD-425, Part 1, Line 3, in the Franchise column, and the total amount of income tax credits not subject to the 50% of tax limit from Form CD-425, Part 3, Line 16, in the Income column. **Partnerships** enter the amount from Form D-403TC, Line 5. **Trusts and estates** enter the amount from Form D-407TC, Line 6.

**Line 17 -** Enter the lesser of Part 1, Line 12, or Part 2, Line 16.

**Part 3. Amount of Each Credit Taken in 2004.** If the amount of available credits on Part 1, Line 12 is less than the amount on Part 2, Line 16, then the total amount of eligible tax credits available in 2004 does not exceed 50% of the 2004 tax liability. Enter on Part 3, Line 18 through 28 the same amounts entered on Part 1, Lines 1 through 11.

If the amount of available credits on Part 1, Line 12, is greater than the amount on Part 2, Line 16, then the total amount of eligible tax credits available in 2004 exceeds 50% of the 2004 tax liability. The amount of eligible tax credits from Part 1, Line 12, must be reduced to equal the amount on Part 2, Line 17. A taxpayer may choose how to allocate the allowable amount of credit (Line 17) among the credits for which it is eligible (Lines 1 through 11) by completing Lines 18 through 28. 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 29 -** Add Lines 18 through 28 and enter the total. This amount must equal the amount on Part 2, Line 17. **This is the total amount of tax credits actually taken in 2004.**

**Individuals** enter the amount of tax credits on Form D-400TC, Part 4, Line 30. **Partnerships** enter the amount of tax credits on Form D-403TC, Part 2, Line 8. **Trusts and estates** enter the amount of tax credits on Form D-407TC, Part 2, Line 9. **Corporations** enter the total amount of tax credits applied against franchise tax on Form CD-425, Part 2, Line 7, and the total amount of tax credits applied against income tax on Form CD-425, Part 4, Line 20. **Insurance companies** claim the amount of tax credits on the gross premiums tax return.

**Part 4.** If you claimed a tax credit for investing in renewable energy property on Part 1, Line 7, enter on Line 30 the cost of renewable energy property placed in service during 2004 for which the credit is allowed. If you claimed a tax credit for investing in non-hazardous dry-cleaning equipment on Part 1, Line 10, enter on Line 31 the cost of non-hazardous dry-cleaning equipment placed in service during 2004 for which the credit is allowed. Enter the amounts even if you were required to allocate credits in Part 3 and elected to enter $0 on Lines 24 or 27.

**Partnerships** enter only the portion of the cost of renewable energy property or non-hazardous dry-cleaning equipment that is allocable to the nonresident partners on whose behalf the managing partner pays the tax. **Trusts and estates** enter only the portion of the cost of renewable energy property or non-hazardous dry-cleaning equipment that is allocated to the fiduciary. **S corporations** enter the total cost of renewable energy property or non-hazardous dry-cleaning equipment if the credit is being applied against franchise tax. If the credit is being applied against income tax, enter only the portion of the cost of renewable energy property or non-hazardous dry-cleaning equipment that is allocable to the nonresident shareholders on whose behalf a composite return is filed.