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

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 2018” from each form on the appropriate line in Part 1 of NC-478. Add Lines 1 through 17 and enter the total on Line 18. This is the total amount of tax credits available in 2018 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 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), and the credit for investing in business 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 2018 exceed 50% of the tax due in 2018 less other credits not subject to the 50% of tax limit.

Line 15 - Partnerships add the amounts on form D-403, Part 4, Line 18 for each nonresident partner and enter the total. Estates and Trusts 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 21, in the income column. Insurance companies enter the total amount of gross premiums tax.


Line 23 - Enter the lesser of Part 1, Line 18, or Part 2, Line 22.

Part 3. Amount of Each Credit Taken in 2018. If the amount of available credits on Part 1, Line 18 is less than the amount on Part 2, Line 22, then the total amount of eligible tax credits available in 2018 does not exceed 50% of the 2018 tax liability. Enter on Part 3, Line 24 through 41 the same amounts entered on Part 1, Lines 1 through 17.

If the amount of available credits on Part 1, Line 18, is greater than the amount on Part 2, Line 22, then the total amount of eligible tax credits available in 2018 exceeds 50% of the 2018 tax liability. The amount of eligible tax credits from Part 1, Line 18, must be reduced to equal the amount on Part 2, Line 23. A taxpayer may choose how to allocate the allowable amount of credit (Line 23) among the credits for which it is eligible (Lines 1 through 17) by completing Lines 24 through 40. If the amount of eligible credit in Part 3 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 41 - Add Lines 24 through 40 and enter the total. This amount cannot exceed the amount on Part 2, Line 23. This is the total amount of tax credits actually taken in 2018.

Individuals enter the amount of tax credits on form D-400TC, Part 3, Line 19. Partnerships enter the amount of tax credits on form D-403TC, Part 2, Line 11. Estates and Trusts 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 12, and the total amount of tax credits applied against income tax on form CD-425, Part 4, Line 27. Insurance companies claim the amount of tax credits on the gross premiums tax return.