

**NCDOR**

NORTH  
CAROLINA  
DEPARTMENT  
OF REVENUE

**Form  
D-401**

# North Carolina Individual Income Tax

# INSTRUCTIONS

THIS BOOKLET CONTAINS INSTRUCTIONS FOR  
FORMS D-400, D-400 SCHEDULE S, D-400 SCHEDULE PN, D-400TC,  
AND D-400 SCHEDULE AM FOR TAX YEAR 2017

## eFile

You may qualify to file for free!

**NCfreefile**

- ✓ Make it easy on yourself - file electronically
- ✓ Convenient, faster, more accurate
- ✓ Pay by bank draft (no convenience fee)
- ✓ Direct deposit for State tax refunds

**Declaración Electrónica (EN ESPAÑOL)**

## 2017 Tax Changes

See *WHAT'S NEW* in these instructions

## Future Developments

For the latest information about developments related to Form D-400 and its instructions, such as legislation enacted after publication, go to [www.dornc.com](http://www.dornc.com).



[www.dornc.com](http://www.dornc.com)

**2017**

**Tired of using paper tax forms? Join over 90% of North Carolinians who choose the convenience of eFile!**

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**What you should send us...**

- Your North Carolina income tax return (Form D-400).
- W-2s and 1099s showing North Carolina tax withheld and a Form 1099-R if you claimed a **Bailey** retirement deduction on Form D-400 Schedule S, Line 10.
- Form D-400 Schedule S if you claimed additions to federal adjusted gross income on Form D-400, Line 7, deductions from federal adjusted gross income on Form D-400, Line 9, or N.C. itemized deductions on Form D-400, Line 11.
- Form D-400 Schedule PN if you entered a taxable percentage on Form D-400, Line 13.
- Form D-400TC and, if applicable, Form NC-478 and Form NC-Rehab if you claimed a tax credit on Form D-400, Line 16.
- A copy of the tax return you filed in the other state or country if you claimed a tax credit for tax paid to another state or country on Form D-400TC, Line 7a.
- A copy of your federal return unless your federal return reflects a North Carolina address or you file electronically.
- Other North Carolina forms or supporting schedules that are required according to the instructions. (Do not send copies of completed worksheets from the instruction booklet or other unnecessary attachments.)
- A check or money order payable to "North Carolina Department of Revenue" if you have a balance due along with a payment voucher (Form D-400V or Form D-400V Amended). **Note:** The Department will not accept a check, money order, or cashier's check unless it is drawn on a U.S. (domestic) bank and the funds are payable in U.S. dollars.



*With eFile, you can file your State and Federal income tax returns at the same time, and, if you owe tax, pay by bank draft with no convenience fee. Follow these instructions:*

- Go to [www.dorncc.com](http://www.dorncc.com) to access eFile for Free. To qualify, adjusted gross income (AGI) for married filing jointly can be up to \$95,000\*. OR
- If you don't qualify to eFile for Free, go to [www.dorncc.com](http://www.dorncc.com) to access competitively priced software (prices start at \$9.95\*). OR
- Choose a tax professional to eFile for you. The tax professional will explain any fees. OR
- Get free tax help through Volunteer Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE) - go to [www.irs.gov](http://www.irs.gov) or call 1-800-829-1040. You must meet certain qualifications to be eligible.

**eFile Advantages**

- File current, amended, and prior year returns
- Schedule payments – estimates up to 12 months out, extensions up to 6 months out, taxes due by the due date
- Get confirmation by email when your forms and payments are received
- Choose direct deposit for your State tax refunds – individual income filers only!

*\*Sample eligibility requirement and product price, tax year 2016. Eligibility requirements and features vary by software provider.*

**Want to pay your State tax using our website?**

Go to [www.dorncc.com](http://www.dorncc.com) and search for online file and pay. Pay by bank draft (no convenience fee), or MasterCard or Visa (convenience fee).

**Want to determine if you are having the correct amount of tax withheld or need to make estimated payments?**

Go to [www.dorncc.com](http://www.dorncc.com) and search for individual income tax estimator.



[www.facebook.com  
NorthCarolinaDepartmentofRevenue](http://www.facebook.com/NorthCarolinaDepartmentofRevenue)



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## What's New?

- **N.C. Standard Deduction**  
The N.C. standard deduction for each filing status is increased for tax year 2017. To determine the N.C. standard deduction amount for your filing status, see Page 10.
- **Tax Rate**  
The income tax rate imposed on an individual's North Carolina taxable income for tax years beginning on or after January 1, 2017 and before January 1, 2019 is reduced from 5.75% to 5.499%.
- **N.C. Breast and Cervical Cancer Control Program**  
You may contribute to the N.C. Breast and Cervical Cancer Control Program by designating some or all of your refund to the Program on Form D-400, Line 32. For more information, see Page 12.
- **Form D-400 Schedule PN, Part-Year Resident and Nonresident Schedule**  
A part-year resident or a nonresident who received income from North Carolina sources in tax year 2017 must complete Form D-400 Schedule PN to determine the correct taxable percentage to use in determining North Carolina taxable income. This new form replaces the information previously reported on Form D-400 Schedule S. For more information, see Page 15.

The Department has published the "2017 Tax Law Changes" resource document. This document gives a brief summary of the tax law changes made by the 2017 General Assembly regardless of when the changes take effect, as well as any changes made by prior General Assemblies that take effect for tax year 2017.

## Before You Begin

Read the instructions carefully before you begin preparing your individual income tax return. Make sure that you complete and attach the proper tax schedules to your tax return. Incomplete or inaccurate information may result in the Department returning your tax return to you, thereby delaying the processing of your tax return and any refund due thereon.

**Important:** You must enter your **entire nine digit** social security number(s) in the appropriate boxes on the forms. Otherwise, we may be unable to process your return.

- Be sure to enter your complete address on your return, including your apartment number, if applicable.
- Make sure you have received all of your W-2s, 1099s, and other tax documents that you need to prepare your return.
- **Do not** submit photocopies of the return. Submit original forms only. **Do not** use any prior year forms.
- **Use black or blue ink only. Do not use red ink or pencil.**
- Write your numbers **clearly inside** the boxes like this: 

		1	7	3	6	0
--	--	---	---	---	---	---

 0 0
- **Do not** use dollar signs (\$), commas, decimal points, or other punctuation marks like this: 

	\$	1	7	3	6	0
--	----	---	---	---	---	---

 0 0
- **Do not** use brackets to indicate negative numbers. Negative numbers are indicated by filling in the circle next to the number.
- **Do not** enter zeros or draw lines in boxes where no data is required.
- Round off to the nearest whole dollar. Drop amounts under 50 cents and increase amounts from 50 cents to 99 cents to the next whole dollar.
- Use capital letters.
- Print letters and numbers like this: 

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

0	1	2	3	4	5	6	7	8	9
---	---	---	---	---	---	---	---	---	---

- Fill in applicable circles completely. **Example:**

<input checked="" type="radio"/> Yes	<input type="radio"/> No
--------------------------------------	--------------------------
- Each year the Department makes available several different versions of tax forms and schedules. **Do not** mix the different versions. If you submit different versions for the same tax year, the Department cannot process your tax return.

**Example:** Do not submit a software generated Form D-400 with a web fill-in Form D-400TC. Instead, submit a software generated Form D-400 and a software generated Form D-400TC, or a web fill-in Form D-400 and a web fill-in Form D-400TC.

## General Information

The information contained in this booklet is to be used as a guide in the preparation of the 2017 North Carolina individual income tax return and is not intended to cover all provisions of the law. For further information on North Carolina tax law, refer to the administrative rules, bulletins, directives, or other publications issued by the Department of Revenue.

**The references to line numbers on federal income tax returns were correct at the time this booklet was published. If line numbers have changed since publication and you are unable to determine the proper line to use when completing your North Carolina tax return, contact the Department of Revenue at 1-877-252-3052.**

## Who Must File a North Carolina Individual Income Tax Return?

*Even if your federal gross income was less than the amount shown on the Filing Requirements Chart on Page 5 for your filing status, you must file a N.C. tax return to receive a refund if you had N.C. income tax withheld during the year.*

*If you were not required to file a federal income tax return but your total gross income from all sources both inside and outside of N.C. exceeds the amount for your filing status shown in the Filing Requirements Chart on Page 5, you must complete a federal return and attach it to your N.C. income tax return to show how your federal adjusted gross income and deductions were determined.*

*You and your spouse must file a joint N.C. tax return if you file a joint federal income tax return, and both of you were residents of North Carolina or both of you had North Carolina taxable income.*

*If you file a joint federal return and your spouse is a nonresident of N.C. and had no N.C. taxable income, you may file a joint N.C. tax return or file a N.C. tax return as married filing separately. Once you file a joint N.C. tax return, you cannot choose to file a separate N.C. tax return for that year after the due date of the return. If you choose to file the N.C. tax return as married filing separately, you must complete either a federal tax return as married filing separately reporting only your income and deductions or a schedule showing the computation of your separate income and deductions and attach it to your N.C. tax return. **Note:** Itemized deductions of a married couple may be claimed by a spouse only if that spouse was obligated to pay the items and actually paid the amount during the year. In case of a joint obligation (such as mortgage interest and real estate taxes), the deduction is allowable to the spouse who actually paid the item.*

The minimum gross income filing requirements under North Carolina law are different from the filing requirements under the Internal Revenue Code because North Carolina law does not allow the same standard deduction amount as the Internal Revenue Code nor does it provide for a personal exemption for the individual, the individual's spouse, the individual's children, or any other qualifying dependents.

**North Carolina Residents.** If you were a resident of North Carolina during tax year 2017, you must file a North Carolina individual income tax return if your gross income for 2017 exceeds the amount shown in the Filing Requirements Chart on Page 5 for your filing status. You were a resident of North Carolina if you were domiciled in this State at any time during 2017 or if you resided in this State during 2017 for other than a temporary or transitory purpose. In the absence of convincing proof to the contrary, an individual who is present within North Carolina for more than 183 days during the taxable year is presumed to be a resident, but the absence of an individual from the State for more than 183 days raises no presumption that the individual is not a resident.

A resident who moves from the State during 2017 is considered a resident of North Carolina until the individual has both established a definite domicile elsewhere and abandoned any domicile in North Carolina. A taxpayer may have several places of abode in a year, but at no time can an individual have more than one domicile. A mere intent or desire to make a change in domicile is not enough; voluntary and positive action must be taken.

**Part-year Resident.** If you were a part-year resident of North Carolina during tax year 2017 and you received income while a resident of North Carolina, or you received income while a nonresident that was (1) attributable to the ownership of any interest in real or tangible personal property in North Carolina, (2) derived from a business, trade, profession, or occupation carried on in North Carolina, or (3) derived from gambling activities in North Carolina, and your total gross income for 2017 exceeds the amount shown in the Filing Requirements Chart on Page 5 for your filing status, you must file a North Carolina individual income tax return. You were a part-year resident of North Carolina if you moved to North Carolina and became a resident of North Carolina during the tax year, or you moved out of North Carolina and became a resident of another state during the year.

**Nonresidents.** If you were not a resident of North Carolina at any time during tax year 2017 but you received income in 2017 from North Carolina sources that was (1) attributable to the ownership of any interest in real or tangible personal property in North Carolina, (2) derived from a business, trade, profession, or occupation carried on in North Carolina, or (3) derived from gambling activities in North Carolina, and your total gross income from all sources both inside and outside of North Carolina equals or exceeds the amount in the Filing Requirements Chart on Page 5 for your filing status, you must file a 2017 North Carolina individual income tax return.

**Military Personnel.** If you were serving in the United States Armed Forces during tax year 2017 and your legal residence was North Carolina, you must file a North Carolina individual income tax return and North Carolina income tax should be withheld from your pay regardless of where you may be stationed. If you were a legal resident of another state stationed in North Carolina on military orders, you are not liable for North Carolina income tax on your military pay. However, income that is (1) attributable to the ownership of any interest in real or tangible personal property in North Carolina, (2) derived from other employment, a business, or trade carried on in North Carolina, or (3) derived from gambling activities in North Carolina is subject to North Carolina income tax.

**Military Spouses.** The Military Spouses Residency Relief Act of 2009 prohibits North Carolina from taxing the income earned for services performed in North Carolina by a spouse of a servicemember stationed in North Carolina if (1) the servicemember is present in North Carolina solely in compliance with military orders; (2) the spouse is in North Carolina solely to be with the servicemember; and (3) the spouse is domiciled in the same state as the servicemember.

If all three of the above conditions are met, an employer is not required to withhold North Carolina tax from wages paid to the military spouse. A spouse who does not meet these requirements should see the instructions for Form D-400 Schedule PN, Part-Year Resident and Nonresident Schedule, on Page 15. The Act does not apply to military spouses who are domiciled in North Carolina. Withholding from wages paid to military spouses domiciled in North Carolina is still required.

## Filing Requirements Chart

<u>Filing Status</u>	<u>A Return is Required if Federal Gross Income Exceeds</u>
(1) Single.....	\$ 8,750
(2) Married - Filing Joint Return .....	\$ 17,500
(3) Married - Filing Separate Return	
If spouse <u>does not claim</u> itemized deductions.....	\$ 8,750
If spouse <u>claims</u> itemized deductions.....	0
(4) Head of Household.....	\$ 14,000
(5) Qualifying Widow(er)/Surviving Spouse .....	\$ 17,500
(6) Nonresident alien.....	\$ 0

## What Form Should I File?

All individuals (including part-year residents and nonresidents) required to file a North Carolina individual income tax return must file Form D-400. In addition to Form D-400, you may be required to complete and attach the following additional tax forms:

**Form D-400 Schedule S, 2017 Supplemental Schedule.** Complete this form to report additions to or deductions from federal adjusted gross income or to claim North Carolina itemized deductions. (For more information, see Page 12.)

**Form D-400 Schedule PN, 2017 Part-Year Resident and Nonresident Schedule.** If you are a part-year resident or nonresident who received income from North Carolina sources, complete this form to determine the percentage of total gross income from all sources that is subject to North Carolina tax. (For more information, see Page 15.)

**Form D-400TC, 2017 Individual Income Tax Credits; Form NC-478, 2017 Summary of Tax Credits Limited to 50% of Tax; NC-Rehab, 2017 Historic Rehabilitation Tax Credits.** Complete these forms to claim various North Carolina tax credits. (For more information, see Page 15.)

**Form D-400 Schedule AM, 2017 Amended Schedule.** Complete this form if you need to amend your North Carolina individual income tax return for tax year 2017. **You must also fill in the circle on the top right hand corner of Form D-400.** (For more information, see Page 18.)

**Important:** Any facsimile or substitute form must be approved by the Department of Revenue prior to its use. If you use computer generated returns, the software company is responsible for requesting approval and receiving an assigned identification number. The Department publishes a list on our website of software developers who have received approval. Photocopies of the return are not acceptable. **Returns that cannot be processed by our imaging and scanning equipment will be returned to the taxpayer with instructions to refile on an acceptable form.**

## When Must I File?

If you file your return on a calendar year basis, the return is due on or before April 15th of the following year. However, for tax year 2017, you have until **Tuesday, April 17, 2018**, to file your return because April 15th is on a Sunday and April 16th is the Emancipation Day holiday observed in the District of Columbia. A fiscal year return is due on the 15th day of the 4th month following the end of the taxable year. When the due date falls on a Saturday, Sunday, or holiday, the return is due on or before the next business day. A fiscal year return should be filed on a tax form for the year in which the fiscal year begins. For example, a 2017 tax form should be used for a fiscal year beginning in 2017.

**Out of the Country.** If you are out of the country on the original due date of the return, you are granted an automatic four month (4) extension to file your North Carolina individual income tax return if you fill in the "Out of Country" circle on Page 1 of Form D-400. "Out of the Country" means you live outside the United States and Puerto Rico and your main place of work is outside the United States and Puerto Rico, or you are in military service outside the United States and Puerto Rico. The time for payment of the tax is also extended; however, interest is due on any unpaid tax from the original due date of the return until the tax is paid.

**Nonresident Aliens.** Nonresident aliens are required to file returns at the same time they are required to file their federal returns.

## What is the Tax Rate?

For tax year 2017, the individual income tax rate is 5.499%. To calculate your North Carolina tax liability, multiply your North Carolina taxable income by 5.499% (0.05499).

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## Can I Get an Extension to File?

If you cannot file your North Carolina individual income tax return by the original due date, you may apply for an automatic six month extension of time to file the return. To receive an extension, you must file Form D-410, Application for Extension for Filing Individual Income Tax Return, by the original due date of the return. You can file Form D-410 online. For details, visit [www.dorncc.com](http://www.dorncc.com) and search "online file and pay." You should apply for an extension even if you believe you will be due a refund but cannot file by the due date.

**North Carolina does not accept any federal extension forms in lieu of Form D-410.** Without a valid extension, an individual income tax return filed after the original due date is delinquent and subject to interest and all applicable penalties provided by law. For more information, see "Will I Owe Interest and Penalties?" on Page 7.

You are not required to send a payment of the tax you expect to owe to receive an extension; however, it will benefit you to pay as much as you can with the extension request. An extension of time may be granted even if the application for extension is not accompanied by a payment of the tax due. **However, an extension of time for filing a tax return does not extend the time for paying the tax due.** If you do not pay the amount of tax due by the original due date, you will owe a ten percent (10%) late payment penalty and interest. The late payment penalty will not be due if you pay at least 90 percent (90%) of your tax liability through withholding, estimated tax payments, or with Form D-410 by the original due date.

A late filing penalty may also be assessed if your return is filed after the extended due date. The penalty is five percent (5%) of the net tax due for each month, or part of a month, that your return is late, maximum twenty-five percent (25%). If you do not file the application for extension by the original due date of the return, you are subject to both the 5% per month late filing penalty and the 10% late payment penalty on the net tax due. Net tax due is the amount of tax required to be shown on the return less any timely payments of the tax and allowable credits.

If you are out of the country and unable to file your income tax return within the automatic 4 month extension period, an additional two month (2) extension may be obtained by filling in the circle at the bottom right of Form D-410. To receive the additional 2 month extension, file Form D-410 by August 15, 2018.

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## Where Do I File?

If you are due a refund and you choose not to e-file, mail your North Carolina individual income tax return to the following address:

**N.C. DEPARTMENT OF REVENUE  
P.O. BOX R  
RALEIGH, NC 27634-0001**

If you ARE NOT due a refund and you choose not to e-file, mail your North Carolina individual income tax return, any payment due, and Form D-400V to the following address:

**N.C. DEPARTMENT OF REVENUE  
P.O. BOX 25000  
RALEIGH, NC 27640-0640**

For more information on how to pay your taxes, see "How Can I Pay?" below.

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## How Can I Pay?

If you owe additional tax, you can pay online by bank draft (free), or credit or debit card using Mastercard or Visa (\$2 convenience fee for every \$100 paid). This online service is accurate, secure, and convenient. For details, visit [www.dorncc.com](http://www.dorncc.com) and search "online and pay."

You can also pay by check or money order. **Do not send cash.** The Department will not accept a check, money order, or cashier's check unless it is drawn on a U.S. (domestic) bank and the funds are payable in U.S. dollars. Make your check or money order payable to the N.C. Department of Revenue for the full amount due. Write "2017 D-400" and your name, address, and social security number on your payment. If you are filing a joint return, write both social security numbers on your payment in the order that they appear on the return.

If you do not pay your tax online, you must go to our website and generate a personalized D-400V, Individual Income Tax Payment Voucher. Submit the payment voucher with your return and payment, and mail to the following address:

**N.C. DEPARTMENT OF REVENUE  
P.O. BOX 25000  
RALEIGH, NC 27640-0640**

If you use tax software to prepare your return, be sure to include Form D-400V and payment with your return generated by the software package. **Important:** If you owe additional tax on a 2017 amended

return, see "Instructions for Filing 2017 Amended Returns" on Page 18. In addition, Form D-400V Amended should be used when making a payment for a 2017 amended return.

## Will I Owe Interest and Penalties?

**Interest.** If you do not pay the total amount of taxes you owe, the law charges interest on any unpaid tax. Interest is computed at the applicable rate from the original due date to the date of payment, whether or not you have been granted an extension. For most taxpayers the original due date is April 15th. To obtain the current interest rate, visit [www.dornrc.com](http://www.dornrc.com) and search "interest rate."

If you pay your tax after the original due date, compute the amount of interest due and include the interest on Form D-400, Line 26c.

**Interest on the underpayment of estimated tax.** If your North Carolina income tax liability after tax credits and North Carolina tax withheld is \$1,000 or more, you are required to pay estimated tax. Compute interest on any underpayment of estimated income tax on Form D-422, Underpayment of Estimated Tax by Individuals. Form D-422 is available on the Department's website. Interest is not due if each payment equals 25 percent of the lesser of 90 percent (66 2/3 percent for farmers and fishermen) of the tax due on your current year's return or 100 percent of the tax due on your previous year's return.

If interest on the underpayment of estimated tax is applicable, compute the amount of interest due and include the interest on Form D-400, Line 26e. If a refund is due, subtract the amount of the interest due from the refund.

**Failure to file penalty.** Returns filed after the due date are subject to a penalty of 5 percent of the net tax due for each month, or part of a month, the return is late (maximum 25 percent). If you file your return late, include this penalty on Form D-400, Line 26b.

**Failure to pay penalty.** Returns filed after April 15th without a valid extension are subject to a late payment penalty of 10 percent of the unpaid tax. If you have an extension of time for filing your return, the 10 percent penalty will apply on the remaining balance due if the tax paid by the original due date of the return is less than 90 percent of the total amount of tax due. If the 90 percent rule is met, any remaining balance due, including interest, must be paid with the income tax return on or before the extended due date to avoid the late payment penalty. If your payment is late, calculate the amount of the penalty due and include it on Form D-400, Line 26b.

On an amended return, the late payment penalty will not be assessed if the amount shown due on the amended return is paid when the return is filed. A proposed assessment of additional tax due is subject to the 10 percent late payment penalty if payment of the tax is not received within 45 days of the date of the notice of proposed assessment.

**Other penalties.** North Carolina law provides for other penalties for negligence, filing a frivolous return, and fraud. Criminal penalties also apply for fraud with intent to evade or defeat the tax and for willful failure to file a return, supply information, or pay the tax. For more information on these penalties, see G.S. 105-236(a) or visit [www.dornrc.com](http://www.dornrc.com) and search "penalties and interest."

**What if I owe more than one penalty?** If you owe more than one penalty on your 2017 individual income tax return, compute the amount of each penalty owed and enter the total amount on Form D-400, Line 26b.

**Collection Assistance Fee.** Any tax, penalty, and interest not paid within 90 days after the debt becomes collectible is subject to a 20 percent collection assistance fee.

## What if I am an Innocent Spouse?

When filing a joint return, include the name and social security number of each spouse on the return. Both spouses are jointly and severally liable for the tax due on a joint return. However, a spouse will be allowed relief from a joint State income tax liability attributable to a substantial understatement by the other spouse if the spouse qualifies for innocent spouse relief of liability for federal tax attributable to the same substantial understatement by the other spouse under Internal Revenue Code Section 6015.

## Do I Need to Pay Estimated Income Tax?

You are required to pay estimated income tax if the tax shown due on your return, reduced by your North Carolina tax withheld and allowable tax credits, is \$1,000 or more regardless of the amount of income you have that is not subject to withholding. Each payment of estimated tax must be accompanied by **Form NC-40, North Carolina Individual Estimated Income Tax**. You can also pay your estimated tax online. For details, visit [www.dornrc.com](http://www.dornrc.com) and search for "online file and pay."

You should prepare your estimated tax carefully, both to avoid having to pay a large amount of tax when you file your return, and to avoid owing interest for underpayment of estimated income tax. Payment of estimated tax does not relieve you of your responsibility for filing a return if one is due.

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## What is a Refund Setoff?

If you owe another State or local agency, the amount you owe may be deducted from your refund. If you have an outstanding federal income tax liability, the Internal Revenue Service may claim your North Carolina refund. **Note:** The application of a refund against debts owed to State, local agencies, or the Internal Revenue Service is not subject to Departmental review.

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## Need to Call Us About Your Refund?

You can check the status of your refund at [www.dornc.com](http://www.dornc.com). The automated refund inquiry line 1-877-252-4052 (toll-free) will also give you the status of your current refund. You can also obtain amended return refund information. Service is available 24 hours a day seven days a week. You will need the first social security number and the amount of refund shown on your return when you call.

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## What is the Statute of Limitations for Refunds?

Generally, to receive a refund, your return must be filed within three years from the date the original return was due or within two years after the tax was paid, whichever date is later. However, special rules extending the time for filing refund claims beyond the normal three year statute of limitations apply to overpayments attributable to (1) federal determinations, (2) worthless debts or securities, (3) capital loss carrybacks, (4) net operating loss carrybacks, or (5) a contingent event. If a taxpayer files a timely return reflecting a federal determination, the period of time for requesting a refund is one year after the return reflecting the federal determination is filed or three years after the original return was filed or due to be filed, whichever is later. For overpayments resulting from worthless debts or securities, the period of time for demanding an overpayment is seven years; for overpayments resulting from capital loss or net operating loss carrybacks, the period of time is three years from the due date of the return for the year in which the loss was incurred rather than three years from the due date of the return for the year to which the loss is carried back. If you are subject to a contingent event and file notice with the Secretary of Revenue, the period to request a refund of an overpayment is six months after the contingent event concludes. For additional information, visit [www.dornc.com](http://www.dornc.com) and search for "contingent event."

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## When Must I File an Amended Return?

Generally, an amended return on which you owe additional tax is required to be filed and the tax paid within three years after the date on which the original return was filed or within three years from the date required by law for filing the return, whichever is later.

If the Internal Revenue Service makes changes to an individual's federal return, the individual must report the changes to the State by filing an amended return within six months from the date the report from the Internal Revenue Service is received. If an individual does not amend the State return to reflect the federal changes and the Department of Revenue receives the report from the Internal Revenue Service, an assessment may be made by the Department within three years from the date of receipt of the report, and the individual's right to any refund which might have been due by reason of the change is forfeited.

For more information on how to amend your 2017 North Carolina individual income tax return, see "Instructions for Filing 2017 Amended Returns" on Page 18. For more information on how to amend tax returns from previous years, visit [www.dornc.com](http://www.dornc.com) and search "amended returns."

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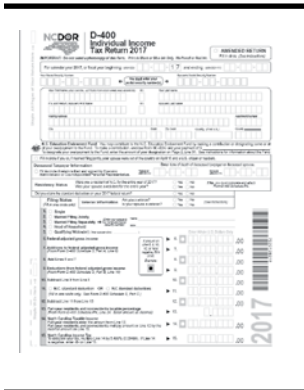
## What are My Rights as a North Carolina Taxpayer?

As a taxpayer, you are always entitled to fair, professional, and courteous services. The Department's goal is to apply the laws of North Carolina consistently and fairly so that your rights are protected and that you pay only your fair share of North Carolina tax. It is your right to have information about your tax history, financial situation, and assessment or reviews kept in strict confidence. Any return information, correspondence, or Departmental discussion concerning your tax situation is confidential. Employees or former employees who violate this confidentiality are subject to criminal prosecution and possible fines. An employee who willfully discloses tax information is also subject to dismissal.

The Department routinely examines returns to insure taxpayers comply with tax statutes. If the Department examines your return, the Department may ask you to provide information to verify items on your return. You are entitled to a fair examination and an explanation of any changes the Department proposes to your return.

If you object to a proposed denial of refund or a proposed notice of tax assessment, you may request a Departmental review of the proposed action by timely filing a request for Departmental review within 45 days of the date the notice was mailed or delivered to you. A request for Departmental review filed within 45 days of the date the notice was mailed or delivered to you is considered timely filed. If a request for a Departmental review is not timely filed, the proposed action is final and is not subject to further administrative or judicial review. An assessment for an amount shown due on a return but not paid, or the application of a refund against debts owed to State, local agencies, or the Internal Revenue Service is not subject to Departmental review. For more information and to obtain a copy of the North Carolina Bill of Rights visit the Department's website and search "bill of rights."





# Line Instructions for Form D-400, Individual Income Tax Return

## Name, Address, Social Security Number and Other Demographic Information

Enter your name, address, and social security number in black or blue ink only. In addition, if you are married and filing a joint return, enter your spouse's name and social security number. If you are married and filing a separate return, do not include your spouse's name or social security number in this section. Instead, provide your spouse's name and social security number in the Filing Status section.

**Important:** Disclosing your social security number on your tax return is required by regulations issued by the Secretary of Revenue under G.S. 105-153.8, 155, 251, and 252. Social security numbers are used in the administration of the State's tax laws and to exchange tax information with other states and the Internal Revenue Service. Always list your social security number on any attachments to your return and on any correspondence to the Department of Revenue.

**N.C. Education Endowment Fund Contribution.** You may elect to contribute to the N.C. Education Endowment Fund by making a contribution to the Fund. To make a contribution, simply enclose Form NC-EDU and your payment with your Form D-400. Form NC-EDU is available on the Department's website. Go to "Tax Forms," click "Individual Income" and select "NC-EDU." If you owe additional income tax on your return and would like to make a contribution to the Fund, you may write one check and enclose the check with both Form NC-EDU and Form D-400V. For more information on Form D-400V, see the instructions for Line 27 on Page 11. To designate part of your overpayment to the N.C. Education Endowment Fund, see the instructions for Line 31 on Page 12.

**Out of the Country.** A circle is provided to indicate whether you or your spouse, if filing a joint return, were out of the country on April 15th and a U.S. citizen or resident. (*For more information on the due date of tax returns for taxpayers who were out of the country on April 15th, see Page 5.*)

**Deceased Taxpayer Information.** If you are a surviving spouse or an executor, administrator, or court-appointed personal representative, (collectively "personal representative") of an individual who died during tax year 2017, you may be required to file a return on the decedent's behalf.

If you are a personal representative and you are filing a tax return for an unmarried individual or a married filing separate return for an individual who died during tax year 2017, enter the name of the deceased and your address in the "Name and Address" section. In the "Deceased Taxpayer Information" section, fill in the circle and enter the taxpayer's date of death. You should also sign the tax return. In addition, attach to the tax return a copy of the certificate that shows your appointment. A refund due on a return filed for a deceased taxpayer by a person other than a spouse or personal representative will be mailed to the Clerk of Superior Court of the county in which the taxpayer resided.

If you are a surviving spouse and you choose to file a married filing joint tax return with your spouse who died during tax year 2017, enter your name, the name of the deceased, and your address in the "Name and Address" section of the return. In the "Deceased Taxpayer Information" section, enter the date of the decedent's death in the space provided. You should also sign the tax return.

If you are a surviving spouse and you choose to file a married filing

separate tax return for your spouse who died during tax year 2017, enter the name of the deceased taxpayer and your address in the "Name and Address" section of the return. In the "Deceased Taxpayer Information" section, enter the date of the decedent's death in the space provided. You should also sign the tax return.

**Important:** Form D-407, Income Tax Return for Estates and Trusts, must be filed for an estate for the period from the date of death to the end of the taxable year if the estate had taxable income from North Carolina sources or income which was for the benefit of a North Carolina resident, and the estate is required to file a federal tax return for estates and trusts.

**Residency Status.** A circle is provided to indicate whether you and your spouse, if filing a joint return, were residents of North Carolina for the entire year. **Important:** If you or your spouse were not residents of North Carolina for the entire year, you must complete and attach Form D-400 Schedule PN, Part-Year Resident and Nonresident Schedule, to determine what percent of your total income is from North Carolina sources. (*For more information on Form D-400 Schedule PN, see Page 15.*)

**Federal Standard Deduction.** A circle is provided to indicate if you and your spouse, if filing a joint return, claimed the standard deduction on your 2017 federal income tax return.

**Veteran Information.** A circle is provided to indicate whether you and your spouse, if filing a joint return, are veterans. If married filing separately, do not complete the information for your spouse. The information, which is voluntarily reported, is used to compile a report about the number of veterans filing tax returns in North Carolina. No information regarding your tax liability will be shared. Information specific to individual employers or employees shall remain confidential in accordance with G.S. 105-259.

## Lines 1 through 5 – Filing Status

Fill in the circle next to the same filing status you checked on your federal tax return. If you did not file a federal tax return, you should fill in the circle that corresponds to the filing status you would have been entitled to if you had filed a federal income tax return. If your federal return does not reflect a North Carolina address, you **must** attach a copy of your federal tax return to your North Carolina tax return.

If you file a joint federal return and your spouse is a nonresident of North Carolina who had no North Carolina taxable income, you may file a joint State return or a married filing separately State return. If you choose to file a separate North Carolina return, you must complete either a federal return as married filing separately reporting only your income and deductions or a schedule showing the computation of your separate income and deductions and attach it to your North Carolina return.

## Line 6 – Federal Adjusted Gross Income

The starting point for determining North Carolina taxable income is federal adjusted gross income. Therefore, before you begin your North Carolina tax return, you must determine federal adjusted gross income. If you filed a 2017 federal tax return, enter the federal adjusted gross income from your completed federal return. (*From Form 1040, Line 37, Form 1040A, Line 21, or Form 1040EZ, Line 4.*) If you did not file a federal income tax return, you must complete a schedule showing the computation of your federal adjusted gross income and deductions. Attach the schedule to your North Carolina income tax return.

If federal adjusted gross income is negative, enter the amount on Line 6 and fill in the circle next to the line to indicate the amount is negative. (**Important:** If you are completing a web fill-in form on the Department's website, enter a minus sign to indicate a negative number.)

## Line 7 – Additions to Federal Adjusted Gross Income

In calculating North Carolina taxable income, a taxpayer **MUST** add to federal adjusted gross income certain items that are taxable to North Carolina that were not included in federal adjusted gross income. Before

making this entry, complete Part A of Form D-400 Schedule S. (For more information, see "Additions to Federal Adjusted Gross Income" on Page 12.)

### Line 9 – Deductions from Federal Adjusted Gross Income

In calculating North Carolina taxable income, a taxpayer may deduct from federal adjusted gross income certain items that were taxable at the federal level that are not taxable to North Carolina. Before making this entry, complete Part B of Form D-400 Schedule S. (For more information, see "Deductions from Federal Adjusted Gross Income" on Page 13.)

### Line 11 – N.C. Standard Deduction or N.C. Itemized Deductions

On Line 11, enter either the N.C. standard deduction or N.C. itemized deductions, whichever is applicable. Make sure you fill in the correct circle to indicate which deduction you are claiming. Fill in one circle only. **Important: DO NOT** enter the amount of your federal standard deduction or your federal itemized deductions on Line 11. The N.C. standard deduction and the N.C. itemized deductions are not identical to the federal amounts and are subject to certain limitations. It is important to note that the N.C. standard deduction is greater than the federal standard deduction for most taxpayers.

If you were entitled to and claimed the standard deduction on your federal return, you **MUST** take the standard deduction on your North Carolina return. The N.C. standard deduction is zero for persons who are not eligible for the federal standard deduction under section 63 of the Code. You are not eligible for the federal standard deduction if: (1) you are married filing a separate return for federal income tax purposes and your spouse itemizes deductions, (2) you are a nonresident alien, or (3) you are filing a short-year tax return because of a change in your accounting period. In general, a nonresident alien is an alien (not a U.S. citizen) who has not passed the green card test or the substantial presence test. (For more information on the green card test and the substantial presence test, see federal Publication 519, U.S. Tax Guide for Aliens).

**N.C. Standard Deduction.** Use the following chart to determine the amount of N.C. standard deduction based on your filing status:

N.C. Standard Deduction Chart	
If your filing status is:	Your standard deduction is:
Single	\$ 8,750
Married filing jointly/Qualifying widow(er)/ Surviving spouse	\$ 17,500
Married filing separately	
If spouse does not claim itemized deductions	\$ 8,750
If spouse claims itemized deductions	0
Head of household	\$ 14,000
<b>If you are not eligible for the federal standard deduction, your N.C. standard deduction is ZERO.</b>	

**Note:** There is no additional N.C. standard deduction amount available for taxpayers who are age 65 or older or blind.

**Important:** If you claim the N.C. standard deduction and you do not have any additions to or deductions from federal adjusted gross income, **DO NOT complete Form D-400 Schedule S.**

**N.C. Itemized Deductions.** If you claimed itemized deductions on your federal return, you may claim either the North Carolina standard deduction or North Carolina itemized deductions. To compute North Carolina itemized deductions, complete Form D-400 Schedule S, Part C, Lines 15 through 23. (For more information, see "N.C. Itemized Deductions" on Page 14.)

### Line 13 – Part-Year Residents and Nonresidents Taxable Percentage

Part-year residents and nonresidents enter the taxable percentage as calculated on Form D-400 Schedule PN. **The taxable percentage must be entered as a decimal amount; round to four decimal places.** (For more information on completing Form D-400 Schedule PN, see instructions on Page 15.)

**Important.** You must attach Form D-400 Schedule PN to Form D-400 if you or your spouse, if married filing a joint return, were either part-year residents or nonresidents and you entered a taxable percentage on Line 13. You must also include a copy of your federal return unless your federal return reflects a North Carolina address.

### Line 14 – North Carolina Taxable Income

If you were a resident of North Carolina for the entire year, enter the amount from Line 12 on Line 14. If you were a part-year resident or nonresident, multiply the amount from Line 12 by the taxable percentage on Line 13.

If North Carolina taxable income is negative, enter the amount on Line 14 and fill in the circle next to the line to indicate the amount is negative. (**Important:** If you are completing a web fill-in form on the Department's website, enter a minus sign to indicate a negative number.)

### Line 15 – North Carolina Income Tax

To calculate your North Carolina income tax, multiply Line 14 by the income tax rate of 5.499% (0.05499). If North Carolina taxable income is zero or negative, enter a zero on Line 15.

### Line 16 – Tax Credits

If you claim income tax credits on Line 16, you must complete Form D-400TC, Individual Income Tax Credits. (For more information on completing Form D-400TC, see Page 15.) **Important: Failure to substantiate a tax credit may result in the disallowance of the tax credit.**

### Line 18 – Consumer Use Tax

North Carolina use tax is due by individuals and businesses on tangible personal property and certain digital property purchased, leased or rented inside or outside this State for storage, use, or consumption in North Carolina pursuant to N.C. Gen. Stat. § 105-164.6. Use tax is also due on taxable services sourced to North Carolina. **Individuals and businesses must pay use tax to the Department when retailers or facilitators do not collect sales or use tax on taxable transactions.**

Complete Line 18 to report any consumer use tax that is due. If you are unsure as to the amount of use tax due, use the "Use Tax Table" on Page 19 to estimate the amount of North Carolina use tax for calendar year 2017. If you have records of out-of-state purchases, you may use the "Use Tax Worksheets" on Page 19 to calculate the actual amount of North Carolina use tax. **Note:** If you certify that no Consumer Use Tax is due, fill in the circle in the space provided.

Retailers or facilitators that are not "engaged in business" in this State are not required to collect North Carolina sales and use tax. Some out-of-state retailers or facilitators voluntarily collect North Carolina use tax as a convenience to their customers. Retailers or facilitators that are not "engaged in business" who collect sales and use taxes may include mail-order companies, television shopping networks, firms selling over the internet, and online marketplaces. For a list of common items on which sales and use tax may not have been collected and where use tax may be due by the purchaser, visit the Department's website and search "Consumer Use Tax on Income Tax Return."

## Lines 20a and 20b – N.C. Income Tax Withheld

Enter your North Carolina tax withheld on Line 20a. If you are married and you file a joint return, enter your North Carolina withholding on Line 20a and your spouse's withholding on Line 20b. **Do not include any income tax withheld for a state other than North Carolina or any other tax amounts that were withheld.**

**Important:** Be sure to attach to your return Form 1099, Form W-2, or other statements verifying North Carolina tax withheld. It is not necessary to attach 1099 statements on which no North Carolina income tax withheld is reported unless you are claiming a Bailey retirement deduction. (See *Form D-400 Schedule S, Part B, Line 10.*) Wage and tax statements or 1099 statements generated by tax software programs cannot be used to verify North Carolina tax withholding.

## Line 21 – Other Tax Payments

- 2017 Estimated Tax.** Enter any estimated income tax payments for 2017 (including any portion of your 2016 refund that was applied to your 2017 estimated income tax). See Page 7 for additional information about estimated income tax.
- Paid with Extension.** If you filed an automatic extension of time, enter the amount of North Carolina income tax paid with the extension.
- Partnership.** If you are a nonresident partner, enter your share of the tax paid to North Carolina by the manager of the partnership on your distributive share of the partnership income. Include with your return a copy of Form NC K-1 for Form D-403 provided by the partnership to verify the amount claimed.
- S Corporation.** If you are a nonresident shareholder of an S corporation, enter your share of the income tax paid to North Carolina by an S corporation on your distributive share of the S corporation income. Include with your return a copy of Form NC K-1 for Form CD-401S provided by the S corporation to verify the amount claimed.

## Line 22 – Amended Returns Only (Previous Payments)

Complete this line only if you are amending your 2017 tax return. Enter the amount of tax paid with the original return (Form D-400, Line 27) plus any additional tax paid after the original return was filed. If you did not pay the entire balance due shown on your original return, enter the actual amount that was paid. **Do not include payments of interest or penalties.** (For more information, see *"Instructions for Filing 2017 Amended Returns"* on Page 18.)

## Line 24 – Amended Returns Only (Previous Refunds)

Complete this line only if you are amending your 2017 return. Enter the amount of overpayment, if any, shown on the original return (Form D-400, Line 28). If the overpayment claimed on your original return was previously adjusted by the Department, enter the adjusted overpayment on this line. The amount includes any portion that was refunded or applied to any outstanding debt or estimated tax, or was contributed to the N.C. Nongame and Endangered Wildlife Fund, the N.C. Education Endowment Fund, or the N.C. Breast and Cervical Cancer Control Program. **Do not include interest you received on any refund.** (For more information, see *"Instructions for Filing 2017 Amended Returns"* on Page 18.)

## Lines 26a through 26e – Tax, Penalties, and Interest

- Tax Due.** If Line 19 is more than Line 25, you owe additional tax. Subtract Line 25 from Line 19 and enter the result on Line 26a. If Line

25 is negative, treat Line 25 as a positive number, add Lines 19 and 25 and enter the additional tax on Line 26a.

- Penalties.** See "Will I Owe Interest and Penalties?" on Page 7 to determine if any penalties apply to you.
- Interest.** Interest at the rate established by G. S. 105-241.21 is charged on taxes paid late even if an extension of time to file is granted. The interest rate on underpayments is the same as the interest rate on overpayments. The rate is established semiannually by the Secretary of Revenue and is listed on the Department's website.
- Total Penalty and Interest.** Add Lines 26b and 26c and enter the total amount of penalty and interest on Line 26d.
- Interest on the Underpayment of Estimated Income Tax and Exceptions.** You may owe interest if you underpaid your estimated tax for any payment period. You will not owe interest if you had no tax liability in the prior year or if this year's tax liability, less any amount withheld and allowable tax credits, is less than \$1,000.

Complete Form D-422 to see if you owe interest. Enter the interest on Line 26e. The interest will increase your tax liability or reduce your overpayment. **Do not attach Form D-422 or D-422A to the completed tax return; however, you should maintain the forms for future reference.**

**Exceptions to Underpayment of Estimated Tax.** In certain cases, you may be able to reduce or eliminate underpayment interest. If either of the following exceptions apply, enter the exception code in the box provided and enter the amount of interest due on Line 26e.

- Farmers and Fisherman.** If you are a farmer or fisherman and you pay your tax by March 1, 2018, you do not owe interest. You are a farmer or fisherman if you received at least two-thirds of your gross income for the year from farming or fishing. Enter an "F" in the box provided.
- Annualized Income.** If you completed Form D-422A, Annualized Income Installment Worksheet, to determine the amount of interest owed, enter an "A" in the box provided.

## Line 27 – Pay This Amount

Add Lines 26a, 26d, and 26e and enter the total on Line 27. **This is the total tax, penalties, and interest due.** Mail your return and payment to the **North Carolina Department of Revenue, P. O. Box 25000, Raleigh, North Carolina 27640-0640.**

Make your check or money order payable to the NC Department of Revenue. **Important:** The Department will not accept a check, money order, or cashier's check unless it is drawn on a U.S. (domestic) bank and the funds are payable in U.S. dollars. You may also pay electronically or generate a personalized payment voucher Form D-400V or Form D-400V Amended (2017 Amended Return) by visiting [www.dornrc.com](http://www.dornrc.com). The personalized payment voucher allows the Department to process payments more accurately and efficiently. To pay online, go to the Department's website and search for "online file and pay." If you are filing a 2017 amended return. (For more information, see *"Instructions for Filing 2017 Amended Returns"* on Page 18.)

## Line 28 – Overpayment

If Line 19 is less than Line 25, you have overpaid your tax. Subtract Line 19 (and any amount shown on Line 26e) from Line 25 and enter the amount of the overpayment on Line 28.

## Line 29 – Estimated Income Tax

If you have overpaid your tax, you may elect to have a portion of your overpayment applied to your estimated tax for the following year by

entering the amount to be applied on Line 29. **The election to apply any overpayment to 2018 cannot be changed after the 2017 return is filed.**

The last allowable date for making a 2018 estimated tax payment is January 15, 2019; therefore, to **apply a portion of your refund to 2018 estimated tax**, you must file your 2017 return by January 15, 2019.

## Line 30 – N.C. Nongame and Endangered Wildlife Fund

Help keep North Carolina wild by contributing any portion of your refund to the N.C. Nongame and Endangered Wildlife Fund. Your tax deductible contributions are essential to monitoring and managing our wildlife populations, including turtles, flying squirrels, frogs, mussels, salamanders, and hundreds of bird species from terns and pelicans to woodpeckers and warblers. Conserving these species and their habitats is important to our state, our economy, and our quality of life. If wildlife conservation is important to you, please give what you can and help conserve North Carolina's wildlife for future generations to enjoy.



If you wish to contribute to the Fund, enter the amount of your contribution on Line 30. **Your election to contribute to the Fund cannot be changed after you file your return.** If you are not due a refund, you may still contribute to this Fund after your 2017 return is filed by donating online or mailing your donation directly to the North Carolina Wildlife Resources Commission, 1702 Mail Service Center, Raleigh, North Carolina 27699-1700. Checks should be made payable to the Nongame & Endangered Wildlife Fund. For more information about the Fund or to donate online, check out [www.ncwildlife.org/Give-Donate](http://www.ncwildlife.org/Give-Donate).

## Line 31 – N.C. Education Endowment Fund

The North Carolina Education Endowment Fund (NC Education Fund) was created to provide additional support and funding for K-12 public schools. If you wish to contribute part or all of your refund to the NC Education Fund, enter the amount of the contribution on Line 31. **Your election to contribute to the NC Education Fund cannot be changed after your 2017 return is filed.**



If you are not due a refund, you may still contribute to the NC Education Fund by: (1) making a contribution with your tax return; or (2) mailing a donation directly to the North Carolina Department of Public Instruction, Cash Collections, 6331 Mail Service Center, Raleigh, N.C. 27699-6331.

## Line 32 – N.C. Breast and Cervical Cancer Control Program

The N.C. Breast and Cervical Cancer Control Program Fund (NC BCCCP) is used for the early detection of breast and cervical cancer through the N.C. Cancer Prevention and Control Branch of the Division of Public Health of the Department of Health and Human Services. The NC BCCCP provides free or low-cost breast and cervical cancer screening and follow-up services to women who meet income and age eligibility and for whom insurance does not cover the full cost of services. If you wish to contribute to NC BCCCP, enter the amount of your contribution on Line 32. **Your election to contribute to NC BCCCP cannot be changed after your 2017 return is filed.**



If you are not due a refund, you may still contribute to the NC BCCCP by mailing a donation directly to N. C. Cancer Prevention and Control Branch of the Division of Public Health of the Department of Health and Human Services, 1922 Mail Service Center, Raleigh, North Carolina 27699-1922. Checks should be made payable to "North Carolina Department of Health and Human Services" with an indication either on the check or in an attached note that it is a contribution for the N.C. Breast and Cervical Cancer Control Program Fund.

## Line 34 – Amount to be Refunded

Enter the amount of overpayment to be refunded on Line 34. The amount to be refunded cannot exceed Line 28 minus the total of Lines 29, 30, 31, and 32. **Refunds of less than \$1.00 are made only upon request.**

## Signature and Verification

Your return is not considered a valid return unless you sign it. If you are filing a joint return, your spouse must also sign. Be sure to date your return and enter your home telephone number. If you have someone prepare your return, you are still responsible for the correctness of the return. In addition, your paid preparer should also sign, date, and enter their FEIN, SSN, or PTIN, and telephone number.

## Line Instructions for Form D-400 Schedule S, Supplemental Schedule

The starting point in determining North Carolina taxable income is federal adjusted gross income, subject to the additions to and the deductions from federal adjusted gross income, and the North Carolina standard deduction or North Carolina itemized deductions provided by law. The additions and deductions (collectively, "adjustments") do not apply to all individuals. Each individual must determine if any of the adjustments apply to that individual's return. Form D-400 Schedule S, Part A and Part B provide a list of some of the adjustments provided by statute but is not an all-inclusive list. For more information on State adjustments, see G.S. 105-153.5 and G.S. 105-153.6, as well as the information provided below.

To compute North Carolina itemized deductions, see Part C.

**Part A. Additions to Federal Adjusted Gross Income** (If you have items that are not included in federal adjusted gross income but are taxable to North Carolina, complete Lines 1 through 6.)

**Line 1. Interest Income from Obligations of States Other than North Carolina.** Enter the amount of interest received from notes, bonds, and other obligations of states and political subdivisions other than North Carolina if not included in federal adjusted gross income. This includes exempt interest dividends received from regulated investment companies (mutual funds) to the extent such dividends do not represent interest from obligations of North Carolina or its political subdivisions.

**Line 2. Adjustment for Domestic Production Activities.** North Carolina does not allow the domestic production activities deduction. Therefore, if you claimed the deduction on Line 35 of federal Form 1040, you must add the amount claimed to federal adjusted gross income.

**Line 3. Adjustment for Bonus Depreciation.** North Carolina did not adopt the 50 percent bonus depreciation provisions in IRC sections 168(k) or 168(n) for property placed in service for tax year 2017. Therefore, you must add 85% of the amount of bonus depreciation deducted on your federal return to your State return. **Note:** If you are required to add back bonus depreciation in tax year 2017, you may deduct 20% of the amount added back in the first five taxable years beginning with tax year 2018. For further guidance, visit [www.dorncc.com](http://www.dorncc.com) and search "Bonus Asset Basis," and "Adjustment for Bonus Depreciation."

**Line 4. Adjustment for Section 179 Expense Deduction.** North Carolina did not conform to the increased federal expense deduction or increased investment limitations for tax year 2017. NC dollar and investment limitations are \$25,000 and \$200,000, respectively. Therefore, you must add 85% of the difference between the Section 179 expense deduction using federal limitations and the deduction using NC limitations to your State return. **Note:** If you are required to addback Section 179 expenses in tax year 2017, you may deduct 20% of the amount added back in the first five taxable years beginning with tax year 2018. For further guidance, visit [www.dorn.com](http://www.dorn.com) and search "Income Tax Adjustments for Code Section 179 Expense."

**Line 5. Other Additions to Federal Adjusted Gross Income.** Enter the total amount of the following other additions. **Make sure you attach an explanation or schedule of the item(s) to Form D-400.**

- (1) The amount by which your basis of property under federal law exceeds your basis of property for State purposes must be added to your adjusted gross income in the year that you dispose of the property.
- (2) North Carolina did not conform to the extension of the federal provision which allowed an exclusion from gross income for a qualified charitable distribution from an individual retirement plan by a person who has attained age 70 1/2 under section 408(d)(8) of the Code. Therefore, an addition to federal adjusted gross income is required for the amount excluded from gross income on your federal return. **Note:** You may deduct the contribution amount added to federal adjusted gross income on Form D-400 Schedule S, Part C, Line 20 if you itemized N.C. deductions.
- (3) If you carry over a net operating loss from another year to the 2017 federal return, an addition is required for the amount of net operating loss carried to the 2017 year that is not absorbed and will be carried forward to subsequent years.

Example: You incur a net operating loss of \$75,000 in 2016. You carry the net operating loss to the 2017 federal return and deduct the entire loss in arriving at federal adjusted gross income. Only \$50,000 of the loss is absorbed and \$25,000 is carried forward to subsequent years. To determine North Carolina taxable income, you must make an addition to federal adjusted gross income of \$25,000.

- (4) You must add to federal adjusted gross income any amount that was contributed to North Carolina's National College Savings Program (NC 529 Plan) and deducted in a prior year that was withdrawn in 2017 and used for purposes other than qualified higher education expenses of the designated beneficiary unless the withdrawal was due to the death or permanent disability of the designated beneficiary.
- (5) The amount by which a shareholder's share of S Corporation income is reduced under section 1366(f)(2) of the Code for the taxable year by the amount of built-in gains tax imposed on the S Corporation under section 1374 of the Code.

**Line 6. Total Additions.** Add Lines 1 through 5. Enter the total on Line 6 and on Form D-400, Line 7. **Important:** If you complete Part A, you must attach D-400 Schedule S to Form D-400. If you do not attach Form D-400 Schedule S to Form D-400, the Department may not be able to process your return.

**Part B. Deductions from Federal Adjusted Gross Income**  
(If you have items of income that are included in adjusted gross income but are not taxable to North Carolina, then complete Lines 7 through 14.)

**Line 7. State Income Tax Refund.** Enter the amount of any state or local income tax refund that is included in federal adjusted gross income. (From Form 1040, Line 10.)

**Line 8. Interest from United States Obligations.** Enter the amount of interest received from notes, bonds, and other obligations of the United States (such as U.S. savings bonds, treasury notes and bills, etc.) or United States possessions.

**Line 9. Taxable Portion of Social Security and Railroad Retirement Benefits.** Social security and railroad retirement benefits are not subject to State income tax. Enter any Title 2 social security benefits received under the Social Security Act and any Tier 1 or Tier 2 railroad retirement benefits received under the Railroad Retirement Act that were included in federal adjusted gross income. Railroad Retirement Act benefits include railroad unemployment insurance benefits and railroad sickness benefits.

**Line 10. Retirement Benefits Received by Vested Government Retirees (Bailey Settlement).** As a result of the North Carolina Supreme Court's decision in *Bailey v. State of North Carolina*, North Carolina may not tax certain retirement benefits received by retirees (or by beneficiaries of retirees) of the State of North Carolina and its local governments or by United States government retirees (including military). **The exclusion applies to retirement benefits received from certain defined benefit plans**, such as the North Carolina Teachers' and State Employees' Retirement System, the North Carolina Local Governmental Employees' Retirement System, the North Carolina Consolidated Judicial Retirement System, the Federal Employees' Retirement System, or the United States Civil Service Retirement System, **if the retiree had five or more years of creditable service as of August 12, 1989.** The exclusion also applies to retirement benefits received from the State's §401(k) and §457 plans if the retiree had contributed or contracted to contribute to the plan prior to August 12, 1989. **The exclusion does not apply to local government §457 plans or to §403(b) annuity plans.** Benefits from other State, local, and federal retirement plans may or may not be excluded depending on rulings in the *Bailey* case. **The exclusion does not apply to retirement benefits paid to former teachers and state employees of other states and their political subdivisions.**

A retiree entitled to exclude retirement benefits from North Carolina income tax should claim a deduction on Line 10 for the amount of excludable retirement benefits included in federal adjusted gross income. Even if all your retirement is excludable under Bailey, you must still file a North Carolina return if you meet the minimum gross filing requirements on Page 5. A copy of Form 1099-R or Form W-2 received from the payer must be attached to the return to support the deduction.

**Line 11. Adjustment for Bonus Depreciation.** You may deduct an amount equal to 20% of the bonus depreciation deduction added to federal taxable income or federal adjusted gross income on your 2012, 2013, 2014, 2015, and 2016 State tax returns.

**Line 12. Adjustment for Section 179 Expense Deduction.** You may deduct an amount equal to 20% of the section 179 expense deduction added to federal taxable income or federal adjusted gross income on your 2012, 2013, 2014, 2015, and 2016 State tax returns.

**Line 13. Other Deductions from Federal Adjusted Gross Income.** Enter the total amount of the following other deductions. **Make sure you attach an explanation or schedule of the item(s) to Form D-400.**

- (1) The gain from the sale or disposition of North Carolina obligations issued before July 1, 1995, is deducted from adjusted gross income if the law under which the obligations were issued specifically exempts the gain.
- (2) The amount by which your basis of property for State purposes exceeds your basis of property for federal purposes must be deducted from your adjusted gross income in the year that you dispose of the property.
- (3) Income that meets both of the following requirements:
  - a. Is earned or received by an enrolled member of any federally recognized Indian tribe.
  - b. Is derived from activities on any federally recognized Indian reservation while the member resides on the reservation. Income from intangibles having a situs on the reservation and retirement income associated with activities on the reservation are considered income derived from activities on the reservation.
- (4) The amount by which the deduction for an ordinary and necessary business expense was required to be reduced or was not allowed

under the Code because you claimed a federal tax credit in lieu of a deduction.

- (5) In the event of an actual or deemed transfer of an asset occurring on or after January 1, 2013, wherein the tax basis of the asset carries over from the transferor to the transferee for federal income tax purposes, the transferee must add any remaining bonus depreciation deductions allowed to the basis of the transferred asset and depreciate the adjusted basis over any remaining life of the asset. The transferor is not allowed any future bonus depreciation deductions. (For more information, see G.S. 105-153.6(e) and (f), as well as the Department's website.)
- (6) The amount of cancellation of indebtedness (COD) included in federal adjusted gross income that was previously deferred under section 108(i) (1) of the Internal Revenue Code in tax years 2009 or 2010. **Note:** North Carolina did not conform to the federal provision that allowed certain taxpayers to elect to defer the reporting of income from the cancellation of indebtedness (COD) in tax years 2009 or 2010 and instead report the income ratably over a five-year period beginning in 2014.

**Line 14. Total Deductions.** Add Lines 7 through 10, 11f, 12f, and 13. Enter the total on Line 14 and on Form D-400, Line 9. **Important:** If you complete Part B, you must attach Form D-400 Schedule S to Form D-400. If you do not attach Form D-400 Schedule S to Form D-400, the Department may not be able to process your return.

**Part C. N.C. Standard Deduction or N.C. Itemized Deductions**

**N.C. Standard Deduction.** If you were entitled to and claimed the standard deduction on your federal return, you **MUST** take the standard deduction on your North Carolina return. The standard deduction for most individuals can be obtained from the N.C. Standard Deduction Chart on page 10 of these instructions or from the N.C. Standard Deduction Chart printed on Form D-400 Schedule S, Part C.

For more information, see "N.C. Standard Deductions or N.C. Itemized Deductions" on page 10. **Important:** If you claimed the N.C. Standard Deduction and you did not complete Part A or Part B of Form D-400 Schedule S, DO NOT attach Form D-400 Schedule S to Form D-400.

**N.C. Itemized Deductions.** If you itemized deductions on your federal return, you may claim either the North Carolina standard deduction or North Carolina itemized deductions. North Carolina itemized deductions are not identical to federal itemized deductions and are subject to certain limitations. Specifically, no itemized deductions included on federal form 1040 Schedule A are allowed as North Carolina itemized deductions except qualified mortgage interest, real estate property taxes, charitable contributions, medical and dental expenses, and repayment of claim of right income.

To determine the amount of N.C. itemized deductions, complete Lines 15 through 23. **Note:** North Carolina itemized deductions are not subject to the overall limitations on itemized deductions under section 68 of the Code.

**Line 15. Qualifying home mortgage interest.** Enter the amount allowed as a deduction for interest paid or accrued during tax year 2017 under section 163(h) of the Code with respect to any qualified residence. (For a definition of qualified residence, see federal Publication 936 (2017), Home Mortgage Interest Deduction.)

**Line 16. Real estate property tax.** Enter the amount allowed as a deduction for property taxes paid or accrued on real estate under section 164 of the Code for tax year 2017.

**Line 17. Total home mortgage interest and real estate property taxes.** Add Lines 15 and 16 and enter the result on Line 17.

**Line 18. Qualifying home mortgage interest and real estate property tax limitation.** Statutorily, the sum of qualified mortgage interest and real estate property taxes claimed may not exceed \$20,000. For spouses filing as married filing separately or married filing jointly, the total mortgage

interest and real estate property taxes claimed by both spouses combined may not exceed \$20,000. For spouses filing as married filing separately with a joint obligation for home mortgage interest and real estate property taxes, the deduction for these items is allowable to the spouse who actually paid them. If the amount of home mortgage interest and real estate property taxes paid by both spouses exceeds twenty thousand dollars (\$20,000), the deductions must be prorated based on the percentage paid by each spouse. For joint obligations paid from joint accounts, the proration is based on the income reported by each spouse for that taxable year.

**Line 19. Allowable home mortgage interest and real estate property tax.** Compare Line 17 with Line 18 and enter the **smaller** amount.

**Line 20. Charitable contributions.** Enter the amount as a deduction for charitable contributions under section 170 of the Code for tax year 2017. In addition, a taxpayer who elected to take the income exclusion under section 408(d)(8) of the Code for a qualified charitable distribution from an individual retirement plan by a person who has attained the age of 70 1/2 may deduct the amount that would have been allowed as a charitable deduction under section 170 of the Code had the taxpayer not elected to take the income exclusion.

**Line 21. Medical and dental expenses.** Enter the amount of medical and dental expenses allowed as a deduction under section 213 of the Code. (Only include expenses that are allowed as a deduction on Federal Form 1040, Schedule A, Line 4.)

**Line 22. Repayment of claim of right income.** You may be entitled to a deduction for the repayment of claim of right income if you deducted the repayment as part of itemized deductions on your federal return. If the amount of repayment deduction is more than \$3,000, enter the amount from Line 28 of federal Schedule A on Line 22. If the amount of repayment deduction is \$3,000 or less, the repayment deduction is reported as part of Line 23 of federal Schedule A. The sum of deductions reported on Lines 21 through 23 on federal Schedule A is deductible only to the extent that they exceed 2% of adjusted gross income. Complete the following worksheet to determine if you are entitled to a deduction.

<b>Repayment of Claim of Right Worksheet</b>	
<b>Repayment of amounts under a claim of right if \$3,000 or less:</b>	
1. Enter the repayment of claim of right income included in Line 23 of federal Schedule A .....	1. _____
2. Enter amount from Line 26 of federal Schedule A (2% of federal AGI) .....	2. _____
3. Enter amount from Line 24 of federal Schedule A .....	3. _____
4. Subtract Line 1 from Line 3 .....	4. _____
5. Subtract Line 4 from Line 2 (If negative, enter a zero) .....	5. _____
6. Subtract Line 5 from Line 1 (If negative, enter a zero) Enter amount on Form D-400 Schedule S, Part C, Line 22. ....	6. _____
<b>Repayment of amounts under a claim of right if over \$3,000:</b>	
Enter the repayment of claim of right income included on Line 28 of federal Schedule A Enter amount on Form D-400 Schedule S, Part C, Line 22.....	

**Line 23. Total N.C. Itemized Deductions.** Add Lines 19 through 22. This is the amount of North Carolina itemized deductions that you may deduct on Form D-400, Line 11. **Important:** If you claim N.C. itemized deductions, you must attach Form D-400 Schedule S to Form D-400. If you do not attach Form D-400 Schedule S to Form D-400, the Department may not be able to process your return.

## Line Instructions for Form D-400 Schedule PN, Part-Year Resident and Nonresident Schedule

If you or your spouse, if filing a joint return, were part-year residents in North Carolina during tax year 2017, or if you or your spouse, if filing a joint return, were nonresidents and received income from North Carolina sources during tax year 2017, you must complete this form to determine the percentage of federal adjusted gross income, as adjusted, that is subject to North Carolina income tax. You are a **“part-year resident”** if you moved to North Carolina and became a resident during the tax year, or you moved out of North Carolina and became a resident of another state during the tax year. You are a **“nonresident”** if you were not a resident of North Carolina at any time during the tax year. For more information, see “Who Must File a North Carolina Individual Income Tax Return?” on Page 4.

### Part A. Residency Status

You and your spouse, if married filing a joint return, must fill in the applicable circle(s) indicating your residency status for tax year 2017. Part-year residents must also enter the dates of North Carolina residency in the boxes provided.

### Part B. Allocation of Income for Part-Year Residents and Nonresidents

**Lines 1 through 15.** In Column A, Lines 1 through 15, enter the income you received from all sources during tax year 2017. (If you filed a 2017 federal income tax return, enter the amounts reported on federal form 1040, 1040A, or 1040EZ.) If married filing a joint return, you must include the total income from all sources of both spouses, even if only one spouse is a resident. In Column B, enter the amount of Column A received from North Carolina sources or income received while a resident of North Carolina.

**NOTE:** A part-year resident must include all income received while a resident of North Carolina. This would include income from another state if this income was received while a resident of North Carolina. In addition, a part-year resident receiving partnership income from a partnership doing business in North Carolina and in one or more other states must prorate the partner’s share of the partnership’s income attributable and not attributable to North Carolina between the partner’s periods of residence and non-residence in accordance with the number of days in each period.

**Line 16. Total Income.** For Column A and Column B, add Lines 1 through 15. Enter the total of each column on Line 16.

**Line 17a through Line 17d. North Carolina additions to federal adjusted gross income.** In Column A, enter the amounts entered on Form D-400 Schedule S, Part A, that relate to gross income. In Column B, enter the amount of Column A that is applicable to North Carolina.

**Example:** If you received interest income from United States obligations of \$1,200 evenly during the year and you became a North Carolina resident on July 1, you should enter \$1,200 on Line 17a of Column A and \$600 on Line 17a of Column B.

**Line 18. Total additions.** For Column A and Column B, add Lines 17a through 17d. Enter the total of each column on Line 18.

**Line 19a through Line 19g. North Carolina deductions from federal adjusted gross income.** In Column A, enter the amounts entered on Form D-400 Schedule S, Part B, that relate to gross income. In Column B, enter the amount of Column A that is applicable to North Carolina.

**Line 20. Total deductions.** For Column A and Column B, add Lines 19a through 19g. Enter the total of each column on Line 20.

**Line 21. Total income modified by N.C. adjustments.** For Column A and Column B, add Line 16 plus Line 18 minus Line 20.

### Part C. Part-Year Residents and Nonresidents Taxable Percentage

**Lines 22.** Enter the amount from Column B, Line 21.

**Lines 23.** Enter the amount from Column A, Line 21.

**Important:** If the amount on Line 22 or Line 23 is negative, fill in the circle next to the line to indicate the amount is negative.

**Line 24.** Divide Line 22 by Line 23. **This is the percentage of your federal adjusted gross income, as adjusted, that is subject to North Carolina income tax.** Enter the result as a decimal amount; round to four decimal places on Form D-400, Line 13. **Important:** If you complete Form D-400 Schedule PN, you **MUST** attach the schedule to Form D-400. If you do not, the Department may be unable to process your return.

## Line Instructions for Form D-400TC, Individual Income Tax Credits

Form D-400TC and, if applicable, Form NC-478, and Form NC-Rehab must be filed for any taxable year in which you are eligible to claim a tax credit or an installment of a tax credit against your tax liability. This requirement applies even if your tax liability is not large enough for you to benefit from the credit. (For further information on tax credits, refer to the Department’s bulletins for individual income tax.)

**Important:** If you claim a tax credit on Form D-400, Line 16, you **MUST** attach Form D-400TC to Form D-400. If you do not, the Department may be unable to process your return. Failure to substantiate a tax credit may result in the disallowance of that credit. For more information on tax credits, see the Department’s website.

### Part 1. Credit for Income Tax Paid to Another State or Country – N.C. Residents Only

When income is taxed by North Carolina for a period during which you were a legal resident of North Carolina and the same income is also taxed by another state or country because it was earned in or derived from sources within that state or country, a tax credit may be claimed, but not on the basis of a withholding statement alone. **Important:** No credit is allowed for income taxes paid to a city, county, or other political subdivision of a state or country or to the federal government. **Nonresidents are not entitled to this tax credit.**

North Carolina residents complete Form D-400 and include all income both within and outside the State. Compute North Carolina income tax as

though no credit is to be claimed. Then, complete Part 1 of Form D-400 TC to determine the amount of allowable tax credit. **Note:** If you wish to claim a tax credit for taxes paid to more than one state or country, do not complete Lines 1 through 6. Instead, use the "Out-of-State Tax Credit Worksheet" below to determine the amount of allowable tax credit for each state or country.

**Line 1. Total income from all sources while a resident of N.C. modified by N.C. adjustments to federal gross income.** Enter on Line 1 the total amount of income from all sources you received while a resident of North Carolina, adjusted by the applicable additions and deductions to federal adjusted gross income that relate to gross income that you listed on Form D-400 Schedule S, Parts A and B. **Important:** If the amount on Line 1 is negative, enter the amount and fill in the circle located next to Line 1 to indicate the amount is negative.

**Line 2. Portion of Line 1 that was taxed by another state or country.** Enter on Line 2 the portion of total income from all sources you received while a resident of North Carolina, adjusted by the applicable additions and deductions to federal adjusted gross income that relate to gross income, (from Line 1, above), that was taxed by another state or country. Include on Line 2 your share of any S Corporation income that is attributable to and taxed by another state, whether or not the other state taxed the income at the individual or corporate level.

**Line 3.** Divide Line 2 by Line 1. Enter the result as a decimal amount; round to four decimal places.

**Line 4. Total North Carolina income tax.** Enter the amount from Form D-400, Line 15.

**Line 5.** Multiply Line 3 by Line 4

**Line 6. Amount of net tax paid to the other state or country on the income shown on Line 2.** Enter on Line 6 only the amount of **net tax paid** to another state or country shown on Line 2. The amount of **net tax paid** is any prepayment of tax (tax withheld, estimated tax payments, amount paid with an extension, etc.) plus any additional tax paid **less any refunds** received or expected to be received. Include on Line 6 the net tax you paid to another state on your share of S Corporation income or your pro rata share of the net corporate tax paid by the S Corporation to another state that taxes the corporation rather than the shareholder. Attach a schedule showing the total amount of tax paid to the other state by the S Corporation, and how your pro rata share of the tax was determined. **Important:** You must attach a copy of the tax return filed with the other state or country and a copy of your check, receipt or other proof showing payment of income tax paid to the other state or country.

**Line 7a. Credit for Income Tax Paid To Another State or Country.** Enter the lesser of Line 5 or Line 6. **This is the amount of tax credit for income tax paid to another state or country. Important:** Be sure to use a separate worksheet to determine the separate credit for each state or country.

<b>Out-of-State Tax Credit Worksheet</b>	
1. <b>Total income (loss) from all sources while a resident of N.C. modified by N.C. adjustments to federal gross income</b> .....	1. _____
2. The portion of Line 1 that was taxed by the other state or country .....	2. _____
3. Divide Line 2 by Line 1 and enter the result as a decimal amount (Round to four decimal places) .....	3. _____
4. Enter total North Carolina income tax (From Form D-400, Line 15) .....	4. _____
5. Multiply Line 3 by Line 4 .....	5. _____
6. Amount of net tax paid to the other state or country on the income shown on Line 2 ( <i>See instructions above for definition of net tax paid.</i> ) .....	6. _____
7. Enter the lesser of Line 5 or Line 6. To determine the total amount of credit for income tax paid to another state or country, add the amount of Line 7 on each worksheet and enter the total on Form D-400TC, Line 7a. <b>On Line 7b, be sure to enter the number of states for which a credit is claimed.</b> .....	7. _____

**Part 2. Credits for Rehabilitating Historic Structures**

**Article 3D - Historic Rehabilitation Tax Credits.** This Article expired for qualified expenditures incurred on or after January 1, 2015. For additional information on Article 3D credits, see G.S. 105-129.35, G.S. 105-129.36, and the Department's website.

**Line 8a.** Enter the amount of qualified expenditures incurred prior to January 1, 2015 with respect to an income-producing historic structure placed in service during tax year 2017. **Important:** Enter the amount of qualifying expenditures only in the first year the credit is taken.

**Line 8b.** Enter the installment amount of the tax credit for rehabilitating an income-producing historic structure.

**Lines 9a.** Enter the amount of qualified expenses incurred prior to January 1, 2015 with respect to a nonincome-producing historic structure placed in service during tax year 2017. **Important:** Enter the amount of qualifying expenses only in the first year the credit is taken.

**Line 9b.** Enter the installment amount of the tax credit for rehabilitating a nonincome-producing historic structure.

**Article 3H - Mill Rehabilitation Tax Credit.** This Article expired January 1, 2015, for rehabilitation projects for which an application for an eligibility certification was submitted on or after that date. To claim a tax credit for rehabilitating a historic mill facility, an application for an eligibility certification must have been submitted to the State Historic Preservation Officer before January 1, 2015. Eligibility certifications obtained under this Article expire January 1, 2023. For additional information on Article 3H credits, see G.S. 105-129.71, G.S. 105-129.72, and the Department's website.

**Line 10a.** Enter the amount of qualified rehabilitation expenditures with respect to an income-producing historic mill facility placed in service during tax year 2017. **Important:** Enter the amount of qualifying expenditures only in the first year the credit is taken.

**Line 10b.** Enter the total amount of tax credit for rehabilitating an income-producing historic mill facility.

**Line 11a.** Enter the amount of qualified rehabilitation expenditures with respect to a nonincome-producing historic mill facility placed in service during tax year 2017. **Important:** Enter the amount of qualifying expenditures only in the first year the credit is taken.

**Line 11b.** Enter the installment amount of the tax credit for rehabilitating a nonincome-producing historic mill facility.



**Article 3L - Historic Rehabilitation Tax Credits Investment Program.** Article 3L replaced the historic rehabilitation tax credits generally available under Article 3D which expired for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after January 1, 2015. Article 3L credits are very similar to the former Article 3D tax credits; however, Article 3L credits are capped and have a lower credit percentage. For additional information on Article 3L credits, see G.S. 105-129.105, G.S. 105-129.106, and the Department’s website. **Important: To claim this tax credit, you must complete Form NC-Rehab and attach Form NC-Rehab to the front of Form D-400.**

**Line 12.** Enter the total amount of tax credit for rehabilitating an income-producing historic structure. *(From Form NC-Rehab, Part 4, Line 19.)*

**Line 13.** Enter the total amount of the tax credit for rehabilitating a nonincome-producing historic structure. *(From Form NC-Rehab, Part 4, Line 22.)*

**Be sure to attach sufficient documentation to support the computation of the tax credits for rehabilitating historic structures. Failure to substantiate the tax credits may result in the disallowance of the tax credits.**

**Part 3. Other Tax Credits and Computation of Total Tax Credits to be Taken in Tax Year 2017**

**Credit for Children.** You may claim a child tax credit on your State return for each dependent child for whom a federal child tax credit was allowed under section 24 of the Code. The amount of credit allowed for the taxable year is equal to the amount listed in the “Credit for Children” table based on your adjusted gross income, as calculated under the Code for each qualifying child *(See Form D-400, Line 6.)*

The credit for children can be claimed only for a child who was under 17 years of age on the last day of the year. A part-year resident or nonresident may claim a prorated credit based on the percentage of income that is subject to North Carolina tax.

**Line 14a and 14b.** Refer to the “Credit for Children” table and complete the “Credit for Children Worksheet” to determine the amount of allowable credit. Enter the number of dependent children for whom you were allowed a federal tax credit on Form D-400TC, Line 14a, and the amount of the credit on Form D-400TC, Line 14b.

**Line 15.** Enter the amount of tax credits carried over from previous tax years. **Important:** Do not include any carryover of income tax credits taken on Form NC-478 or Form NC-Rehab.

**Line 16.** Add Lines 7a, 8b, 9b, 10b, 11b, 12, 13, 14b, and 15

**Line 17.** Enter the amount of North Carolina income tax (From Form D-400, Line 15)

**Line 18.** Compare Line 16 with Line 17. Enter the lesser amount of Line 16 or Line 17.

**Line 19.** Enter the total amount of business and energy tax credits taken in 2017. *(Attach Form NC-478 and any required supporting schedules to the front on Form D-400.)*

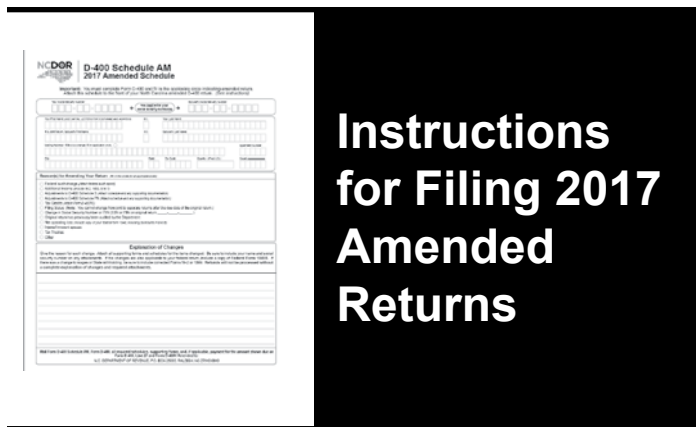
**Note:** Many of the business and energy tax credits available to individuals are repealed or are designated for sunset. Please refer to each specific Article for details. A taxpayer that qualified for a tax credit that has expired or sunset may continue to take any remaining installments or carryovers in 2017 if the taxpayer continues to meet the statutory eligibility requirements previously required of each particular tax credit. In most cases, the Form NC-478 series is used to calculate and report business incentive and energy tax credits, less the sum of all other credits that the taxpayer claims. For additional information and to obtain Form NC-478 tax forms, see the Department’s website.

**Line 20.** Add Lines 18 and 19. **This is the total amount of tax credits to be taken for tax year 2017.** Enter the amount of Line 20 on Form D-400, Line 16. The amount of Line 20 cannot exceed the tax shown due on Form D-400, Line 15.

**Important: The tax credits described in these instructions cannot exceed the tax liability for the tax year, reduced by other tax credits.**

<b>Credit for Children</b>		
<u>Filing Status</u>	<u>AGI</u>	<u>Credit Amount per Qualifying Child</u>
<u>Married Filing Jointly/Qualifying Widow(er)/Surviving Spouse</u>	Up to \$40,000	\$125
	Over \$40,000 and up to \$100,000	\$100
	Over \$100,000	\$0
<u>Head of Household</u>	Up to \$32,000	\$125
	Over \$32,000 and up to \$80,000	\$100
	Over \$80,000	\$0
<u>Single or Married Filing Separately</u>	Up to \$20,000	\$125
	Over \$20,000 and up to \$50,000	\$100
	Over \$50,000	\$0

<b>Credit for Children Worksheet</b>	
1. Multiply the number of children for whom you are entitled to claim the federal child tax credit by \$100 or \$125 and enter the result here. <i>(Full-year residents enter this amount here and on Line 3 below.)</i> .....	1. _____
2. <b>Part-year residents and nonresidents</b> multiply the amount on Line 1 by the decimal amount from Form D-400, Line 13 and enter the result here and on Line 3 below. If Line 13 of Form D-400 is more than 1.0000, enter the amount from Line 1 here and on Line 3 below .....	2. _____
3. Credit for children <i>(Enter this amount on Form D-400TC, Line 14b.)</i> .....	3. _____



When filing an amended return, fill in the “Amended Return” circle located at the top right of Form D-400. Attach Form D-400 Schedule AM, 2017 Amended Schedule, to the front of Form D-400. You must attach all required schedules and supporting forms to Form D-400.

### General Instructions

You must file an amended 2017 tax return if:

- (1) You made an error or received additional information after you filed your original 2017 North Carolina State income tax return.
- (2) The Internal Revenue Service (IRS) made changes to your 2017 federal return. You must report the changes to the State by filing an amended return within six months from the date you receive the report from the IRS. If you do not amend your State return to reflect the federal changes and the Department of Revenue receives the report from the IRS, an assessment may be made by the Department within three years from the date of receipt of the report, and you forfeit your right to any refund which might have been due by reason of the changes.
- (3) You need to report a net operating loss carryback.

The statute of limitations for filing an amended return is three years from the date the return was filed or was required by law to be filed, whichever is later. Generally, to receive a refund, an amended return must be filed within three years of the date the original return was due or within two years after the date the tax was paid, whichever is later. If a valid extension was filed, a refund claimed on an amended return may be filed within three years from the extended due date.

To file an amended return, complete Form D-400 Schedule AM, 2017 Amended Schedule. Fill in the circle(s) indicating the reasons you are amending your return and explain in detail the reason for each change. Attach the completed D-400 Schedule AM and all supporting forms and schedules to Form D-400. On Form D-400, make any necessary changes to the original return. Fill in the appropriate circle indicating the return is an Amended Return. Form D-400 should be completed showing the corrected amounts for Lines 1 through 21. (See Specific Line Instructions)

In addition to Form D-400 Schedule AM, Form D-400 Schedule S, Form D-400 Schedule PN, and Form D-400TC must be attached to the amended D-400 showing the correct amounts if you filed these form(s) with your original Form D-400 for tax year 2017, even if there are no changes to the form(s). The following information must be attached to your amended return as documentation in support of items that have been changed:

- A copy of a federal audit report.
- A copy of federal Form 1040X and supporting federal schedules and forms if changes are also applicable to your federal return.
- W-2s and 1099s to verify a change in income tax withheld.
- NC K-1 to verify tax payments made by a pass-through entity.
- Federal Form 1045, including Schedule A and B, if amending as a result of a net operating loss.

### Specific Line Instructions

**Form D-400, Line 22, Amended Returns Only - Previous Payments.** Include on Line 22 the amount paid with the original return (Form D-400, line 27) plus the additional tax paid since your original return was filed. If you did not pay the entire balance due shown on your original return, enter the actual amount that was paid. Do not include payments of interest or penalties.

**Form D-400, Line 24, Amended Returns Only - Previous Refunds.** Include on Line 24 the overpayment, if any, shown on the original return (Form D-400, Line 28). If the overpayment claimed on your original return was previously adjusted by the Department, enter the adjusted overpayment on this line. The amount includes any portion that was refunded, applied to any outstanding debt, or to estimated tax, or contributed to the N.C. Nongame and Endangered Wildlife Fund, the N.C. Education Endowment Fund, or the N.C. Breast and Cervical Cancer Program. **Important:** Do not include interest you received on any refunds.

**Form D-400, Line 29.** Amount of Line 28 to be applied to 2018 Estimated Income Tax. If you elected to have your original refund applied to your estimated tax, do not enter this amount again on Line 29. However, you may elect to have an overpayment from your 2017 amended return applied to your 2018 estimated tax if your amended return is filed by **January 15, 2019.**

**Form D-400, Lines 30, 31, and 32.** If you wish to contribute part or all of your overpayment from your 2017 amended return to (1) the N.C. Nongame and Endangered Wildlife Fund, (2) the N.C. Education Endowment Fund, or (3) the N.C. Breast and Cervical Cancer Program, enter the amount of the contribution on Lines 30 through 32 (as applicable). If you previously elected to have your original refund applied to the N.C. Nongame and Endangered Wildlife Fund, the N.C. Education Endowment Fund, or the N.C. Breast and Cervical Cancer Program, do not enter these amounts again on Lines 30 through 32 since these amounts have already been deducted from your original refund.

**Where to File.** Mail Form D-400 Schedule AM, Form D-400, all required schedules, supporting forms, and, if applicable, payment for the amount shown due on Line 27 and Form D-400V Amended to:

**N.C. DEPARTMENT OF REVENUE  
P.O. BOX 25000  
RALEIGH, NC 27640-0640**

**Amended Return Payment Options.** When filing an amended return, individuals that owe additional tax can pay the additional tax due using one of the following options:

- **Pay Online** - You can pay your tax online by bank draft (free), MasterCard or Visa (\$2 convenience fee for every \$100 paid). Visit [www.dornrc.com](http://www.dornrc.com) and search for “online file and pay.”
- **Payment Voucher** - If you do not pay your tax online, visit [www.dornrc.com](http://www.dornrc.com) to generate a **personalized D-400V Amended payment voucher**. The personalized payment voucher allows the Department to process the amended return payment more accurately and efficiently with fewer errors.

Enclose the completed voucher and payment with your amended return. Do not send cash. Write your name, address, and social security number(s) on your payment. Note: The Department will not accept a check, money order, or cashier’s check unless it is drawn on a U.S. (domestic) bank and the funds are payable in U.S. dollars. Be sure to enter your social security number(s) in the boxes provided on the voucher. Please do not staple, tape, paper clip, or otherwise attach your payment or voucher to your amended return or to each other.

**If you filed Form D-400 Schedule S, D-400 Schedule PN, or Form D-400TC with your original return, then you must file these forms with your amended return, even if there are no changes to the form(s).**

**Consumer Use Tax**

*(Taxpayers who owe consumer use tax must utilize the Use Tax Table or the Use Tax Worksheets below to determine the amount of consumer use tax due for tax year 2017. For more information, see Page 10.)*

**Use Tax Table for Taxpayers Who Do Not Have Any Records of Out-of-State Purchases**

The use tax amount is .0675% of North Carolina taxable income. If you do not have any records of your out-of-state purchases, you may use the table below to estimate your use tax liability.

If Line 14, D-400 is:			If Line 14, D-400 is:			If Line 14, D-400 is:		
At Least	But Less Than	Use Tax Amount is	At Least	But Less Than	Use Tax Amount is	At Least	But Less Than	Use Tax Amount is
\$ 0	- 2,200	\$ 1	\$ 15,600	- 17,000	\$ 11	\$ 30,400	- 31,900	\$ 21
2,200	- 3,700	2	17,000	- 18,500	12	31,900	- 33,300	22
3,700	- 5,200	3	18,500	- 20,000	13	33,300	- 34,800	23
5,200	- 6,700	4	20,000	- 21,500	14	34,800	- 36,300	24
6,700	- 8,100	5	21,500	- 23,000	15	36,300	- 37,800	25
8,100	- 9,600	6	23,000	- 24,400	16	37,800	- 39,300	26
9,600	- 11,100	7	24,400	- 25,900	17	39,300	- 40,700	27
11,100	- 12,600	8	25,900	- 27,400	18	40,700	- 42,200	28
12,600	- 14,100	9	27,400	- 28,900	19	42,200	- 43,700	29
14,100	- 15,600	10	28,900	- 30,400	20	43,700	- 45,200	30
						45,200 and over		Line 14 x .0675%

**Use Tax Worksheet for Taxpayers Who Have Records of Out-of-State Purchases**

- Enter the total amount of out-of-state purchases, including delivery charges, for 1/1/17 through 3/31/17 ..... 1. \_\_\_\_\_
- Multiply Line 1 by 7.5% (.075) in Durham and Orange Counties; 7.25% (.0725) in Mecklenburg County; 7% (.07) in Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cherokee, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Jackson, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties; and 6.75% (.0675) in all other counties, and enter the amount..... 2. \_\_\_\_\_
- Enter the total amount of out-of-state purchases, including delivery charges, for 4/1/17 through 12/31/17 ..... 3. \_\_\_\_\_
- Multiply Line 3 by 7.5% (.075) in Durham and Orange Counties; 7.25% (.0725) in Mecklenburg and Wake Counties; 7% (.07) in Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cherokee, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Jackson, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties; and 6.75% (.0675) in all other counties, and enter the amount..... 4. \_\_\_\_\_
- Enter the amount of sales tax legally and properly paid to another state on the purchases. This amount may not exceed the total of Lines 2 and 4 ..... 5. \_\_\_\_\_
- Add Lines 2 and 4, then subtract Line 5 and enter the result, rounded to the nearest whole dollar, here and on Form D-400, Line 18 ..... 6. \_\_\_\_\_

**Use Tax Worksheet for Taxpayers Who Have Partial Records of Out-of-State Purchases**

- For purchases of items that cost less than \$1,000, see the Use Tax Table above to estimate the use tax due based on your North Carolina taxable income shown on Form D-400, Line 14 and enter the amount..... 1. \_\_\_\_\_
- For purchases of items that cost \$1,000 or more:
  - Enter the total amount of purchases, including delivery charges, of \$1,000 or more for 1/1/17 through 3/31/17 ..... 2a. \_\_\_\_\_
  - Multiply Line 2a by 7.5% (.075) in Durham and Orange Counties; 7.25% (.0725) in Mecklenburg County; 7% (.07) in Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cherokee, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Jackson, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties; and 6.75% (.0675) in all other counties, and enter the amount ... 2b. \_\_\_\_\_
  - Enter the total amount of purchases, including delivery charges, of \$1,000 or more for 4/1/17 through 12/31/17 ..... 2c. \_\_\_\_\_
  - Multiply Line 2c by 7.5% (.075) in Durham and Orange Counties; 7.25% (.0725) in Mecklenburg and Wake Counties; 7% (.07) in Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cherokee, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Jackson, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry and Wilkes Counties; and 6.75% (.0675) in all other counties, and enter the amount ..... 2d. \_\_\_\_\_
- Add Lines 1, 2b, and 2d and enter the total amount of use tax due ..... 3. \_\_\_\_\_
- Enter the amount of sales tax legally and properly due and paid to another state on the purchases. This amount may not exceed the amount on Line 3 ..... 4. \_\_\_\_\_
- Subtract Line 4 from Line 3 and enter the result, rounded to the nearest whole dollar, here and on Form D-400, Line 18 ..... 5. \_\_\_\_\_

## Important Toll Free Telephone Numbers

Automated Refund Inquiry Line ..... 1-877-252-4052  
 Taxpayer Assistance and Forms ..... 1-877-252-3052

## Tax Assistance

Information about individual income tax and tax forms may be obtained from our website at [www.dornc.com](http://www.dornc.com). You may also call the Taxpayer Assistance and Collection Center at 1-877-252-3052 (toll free) for additional assistance in completing your tax forms or to request forms.

### Property for Sale

Looking for a bargain on good used vehicles, furniture, appliances, tools, and jewelry? Go to [www.dornc.com/taxes/usub/](http://www.dornc.com/taxes/usub/) and click on **Vehicles and Property Available for Auction**.

### Maintaining Records

You should keep canceled checks, receipts, or other documentation, including a copy of your federal return, to verify any amount entered on your tax return for a period of at least three years from the due date of the return or three years from the date the return is filed, whichever is later. Lack of adequate records may result in the disallowance of all or part of the deductions. Your canceled check, money order stub, or Departmental receipt showing payment of tax should be kept for at least five years from the due date of the tax return.

### Important Notice Regarding Substitute Returns

Any facsimile or substitute form must be approved by the Department of Revenue prior to its use. If you use computer generated returns, the software company is responsible for requesting approval and receiving an assigned identification number. The Department publishes a list on our website of software developers who have received approval. Photocopies of the return are not acceptable. Returns that cannot be processed by our imaging and scanning equipment will be returned to the taxpayer with instructions to refile on an acceptable form.

### Assistance For Disabled, Low Income, and Senior Citizen Taxpayers

If you are disabled, have a low income, or are a senior citizen, income tax returns can be prepared free of charge through the VITA (Volunteer Income Tax Assistance)/TCE (Tax Counseling for the Elderly) programs. For locations and dates of assistance, taxpayers in North Carolina can call the Internal Revenue Service toll free, 1-800-829-1040, weekdays.

### Taxpayer Bill of Rights

As a taxpayer, you are always entitled to fair, professional, prompt and courteous service from the North Carolina Department of Revenue. Our goal is to apply the State's tax laws consistently and fairly so that your rights are protected and to see that you pay only your fair share of North Carolina tax. Visit, [www.dornc.com](http://www.dornc.com) and search taxpayer bill of rights.

### Tax Fraud Hotline 1-800-232-4939

(919) 707-7597 in Wake County

The Department of Revenue provides a toll free number for citizens who wish to report instances of tax fraud. The number is 1-800-232-4939 (8:00 a.m. to 5:00 p.m., Monday through Friday, except holidays) and should be called **only** to report instances of fraud.

### Mailing Addresses for Original Returns Only

If you are due  
a refund: ⇒ N.C. Department of Revenue  
P.O. Box R  
Raleigh, N.C. 27634-0001

If you are not  
due a refund: ⇒ N.C. Department of Revenue  
P.O. Box 25000  
Raleigh, N.C. 27640-0640

### Mailing Address for Amended Returns Only

N.C. Department of Revenue, P.O. Box 25000, Raleigh, NC 27640-0640