

# D-407A

## Instructions for Estates and Trusts

### Income Tax Return

# 2025

These instructions are to be used as a guide in the preparation of the 2025 North Carolina estates and trusts income tax return and are 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 (Department).

**Important:** The references to line numbers on federal income tax returns were correct at the time these instructions were published. If line numbers have changed since publication, and you are unable to determine the proper line to use when completing the estate or trust's North Carolina tax return, contact the Department at 1-877-252-3052. The Department's employees cannot provide tax preparation or tax planning advice. If you would like a written determination on a specific tax issue, see the Department's Written Determination Policy available on the Department's website.

### General Information

**Who must file Form D-407.** A fiduciary must file Form D-407, Estates and Trusts Income Tax Return, for the estate or trust if the fiduciary is required to file a federal income tax return for the estate or trust and (1) the estate or trust derives income from North Carolina sources, or (2) the estate or trust derives any income which is for the benefit of a resident of North Carolina. **Exception:** With respect to a grantor trust return, the Department has access to the federal information contained in the federal grantor trust return. Therefore, a North Carolina grantor trust return is not required to be filed when the entire trust is treated as a grantor trust for federal tax purposes.

#### Other returns to be filed by fiduciaries:

**Returns for decedents.** A personal representative must file Form D-400, Individual Income Tax Return, for the last taxable year of the decedent if the decedent had income that was sufficient to require the filing of an individual income tax return.

**Returns for other individuals.** A fiduciary, including the guardian of a minor (who has not filed a return) and the guardian of a mentally incompetent individual (who has charge of the income of the individual), must file Form D-400, Individual Income Tax Return, if a return is required for such an individual.

**Period covered by the return.** An estate or trust required to file a North Carolina income tax return must file Form D-407 using the same tax year the estate or trust used for federal income tax purposes.

File the 2025 Form D-407 for calendar year 2025 and fiscal years beginning in 2025. If the return is filed for a year other than a calendar year, fill in the beginning and ending dates of the taxable year in the boxes at the top of page 1 of Form D-407.

The 2025 Form D-407 may also be used for a tax year beginning in 2026 if:

1. The estate or trust has a tax year of less than 12 months that begins and ends in 2026, and
2. The 2026 Form D-407 isn't available at the time the estate or trust is required to file its North Carolina income tax return.

**Important:** The estate or trust must correctly report its tax year by filling in the beginning and ending dates of the taxable year in the boxes at the top of page 1 of Form D-407 and incorporate any tax law changes that are effective for tax year 2026.

**Time and place for filing.** Form D-407 must be filed on or before the 15th day of April for an estate or trust filing on a calendar year basis, and on or before the 15th day of the fourth month following the close of the fiscal year for an estate or trust filing on a fiscal year basis.

If the due date of the return falls on a Saturday, Sunday, or legal holiday in North Carolina or in the District of Columbia, a return filed by the next business day after the Saturday, Sunday, or legal holiday will be considered timely filed. *(For more information on timely mailing North Carolina tax returns, see Directive TA-18-1 available on the Department's website.)*

A fiduciary can eFile the estate or trust's income tax return using a Department approved software provider or a tax professional. Visit [ncdor.gov/file-pay](http://ncdor.gov/file-pay) for more information. Software prices, software features, and tax professional fees vary. Choose the one that meets your needs.

If the estate or trust chooses not to eFile Form D-407, the return and any payment due can be mailed to the following address:

North Carolina Department of Revenue  
P. O. Box 25000  
Raleigh, North Carolina 27640-0640

**Extensions.** An estate or trust that receives an automatic extension to file its federal income tax return will be granted an automatic state extension to file its North Carolina income tax return. In order to receive the automatic state extension, the estate or trust **MUST** fill in the "Yes" bubble indicating that the estate or trust was granted a federal extension on page 1 of Form D-407. An estate or trust that fails to certify that the estate or trust was granted a federal extension is subject to applicable penalties.

If an estate or trust is not granted an automatic federal extension to file its federal income tax return, the estate or trust may still request an extension of time to file Form D-407 by filing Form D-410P, Application for Extension for Filing Partnership, Estate, or Trust Tax Return, by the original due date of the North Carolina estates and trusts income tax return. **Important:** Without a valid extension, a North Carolina estates and trusts income tax return filed after the original due date is delinquent and is subject to all applicable penalties provided by law.

**Important:** Although the fiduciary is not required to send a payment of the tax it estimates as due to receive the extension, an extension of time to file a North Carolina tax return does not extend the time to pay the tax. If the fiduciary does not pay all of the taxes owed by the original due date, the estate or trust will be subject to interest and all applicable penalties.

**Signature.** The fiduciary or authorized representative must sign Form D-407. The return must also be signed by the person, or in the name of the firm or corporation, preparing the estate or trust's return for compensation. The daytime telephone number of the fiduciary should be included so the fiduciary can be reached if additional information is needed to process the return. *(For more information regarding paid preparer authorization, see page 17 of the 2025 Individual Income Tax Instructions, Form D-401.)*

**When and to whom the tax must be paid.** The income tax for an estate or trust must be paid in full by the original due date of Form D-407. The tax may be paid online by bank draft (no additional fee), or credit or debit card using Mastercard or Visa (with a convenience fee). This online service is secure and convenient. For details, visit the Department's website. The income tax for an estate or trust may also be paid by check or money order, payable to the North Carolina Department of Revenue. The Department will not accept a check or money order unless the funds are payable in U.S. dollars and drawn from a U.S. (domestic) bank. The memo line of the check should include the last four digits of the estate or trust's FEIN, tax year, and "D-407".

**Interest.** If an estate or a trust does not pay the total amount of tax due by the original due date, the Department is required to charge interest on any unpaid tax. Interest is computed at the applicable rate from the original due date to the date of payment, regardless of whether the estate or trust has been granted an extension. To obtain the current interest rate, visit the Department's website.

**Failure to file penalty.** Returns filed after the due date, including extensions, are subject to a penalty for failure to file a return by the date it is due. The penalty is calculated at a rate of five percent (5%) of the net tax due for each month, or part of a month, the return is late (maximum twenty-five percent (25%)).

**Failure to pay penalty.** Payments made after the due date, not including extensions, are subject to a late payment penalty. The penalty is calculated at a rate of five percent (5%) of the net tax due, regardless of how late the tax is paid.

If the estate or trust received an extension to file its North Carolina income tax return, and the estate or trust paid at least 90 percent (90%) of the tax due by the original due date, the estate or trust will not be automatically penalized for late payment. If the 90 percent (90%) rule is met, any remaining balance due, including interest, must be paid with the estate or trust's income tax return on or before the extended due date to avoid the late payment penalty.

**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 detailed information on penalties that may apply to estates and trusts, see pages 8 and 9 of the 2025 Individual Income Tax Instructions, Form D-401, available from the Department's website.)*

**Copy of governing instrument.** A copy of the decedent's will or the trust instrument is not required unless the Department requests it. If the Department requests a copy, file the copy (including any amendments) with the following:

- (1) A signed statement under affirmation that the copy of the will or the trust instrument is true and complete; and
- (2) A statement listing the provisions of the will or the trust instrument that divide the income among the estate or trust and the beneficiaries.

**Form D-407 NC K-1.** Form NC K-1 for Form D-407 is used by an estate or trust to report each beneficiary's share of income, adjustments, tax credits, etc. Form NC K-1 must be provided to each person who was a beneficiary of the estate or trust at any time during the year, and must be provided to each beneficiary on or before the day on which the estate or trust return is required to be filed.

**Form NC K-1 Supplemental Schedule.** Form NC K-1 Supplemental Schedule is used by the estate or trust to report to each beneficiary the beneficiary's share of North Carolina adjustments reported by the estate or trust on Form NC-PE, N.C. Additions and Deductions for Pass-Through Entities, Estates, and Trusts. *(For more information, see instructions for Form D-407, Lines 2 and 4.)*

## Instructions for Form D-407, Estates and Trusts Income Tax Return

If you are completing Form D-407 by hand, please use black or blue ink only. Do not use red ink or pencil. Print your letters and numbers clearly. If you do not have an entry for a particular line, leave it blank. Do not use dashes, zeros or other symbols to indicate that you have no entry for that line.

## Demographic and Other Taxpayer Information

**Name, Address, and Identification Numbers.** Enter the estate or trust's name, address, and Federal Employer Identification Number on the appropriate lines.

**Name and Title of Fiduciary.** Enter the fiduciary's name and fill in the applicable circle above the fiduciary's name to specify the fiduciary's title.

**Initial Return.** If this is the estate or trust's first return in North Carolina, fill in the circle on page 1 of Form D-407.

**Amended Return.** If this is an amended return, fill in the circle on page 1 of Form D-407. **Note:** The estate or trust must provide a complete explanation as to the reason(s) for filing an amended return, including specific schedule and line number references, in the space provided on page 2 of Form D-407. *(For more information on filing an amended return, see page 5 of these instructions.)*

**Final Return.** If this is the estate or trust's final return because the estate or trust has terminated or no longer has a requirement to file a North Carolina tax return, fill in the circle on page 1 of Form D-407.

**Nonresident Beneficiaries.** If the estate or trust has one or more nonresident beneficiaries, fill in the circle on page 1 of Form D-407.

**Qualified Funeral Trust.** If the trust is a qualified funeral trust ("QFT") for tax year 2024, fill in the circle on page 1 of Form D-407.

**NC-PE Attached.** If the estate or trust attached Form NC-PE to Form D-407, fill in the circle on page 1 of Form D-407. **Note:** An estate or trust with North Carolina adjustments to federal taxable income must complete Form NC-PE and attach it to the completed Form D-407. *(Form NC-PE is available on the Department's website.)*

**ESBT Income.** If the trust is an electing small business trust (an "ESBT") for tax year 2025, fill in the circle on page 1 of Form D-407.

**Final Distribution of the Assets of the Estate.** All estates must fill in either the "Yes" or "No" circle as to whether the estate made a final distribution of assets during tax year 2025. **Note:** If the estate did not make a final distribution, the estate may be required to file North Carolina tax returns for future years. *(For more information, see "Who must file Form D-407" on page 1 of these instructions.)*

**N.C. Education Endowment Fund Contribution.** An estate or a trust may elect to make a contribution to the N.C. Education Endowment Fund. To make a contribution, simply enclose Form NC-EDU and the estate or trust's payment with Form D-407. If the estate or trust owes additional income tax on its return and would like to make a contribution to the fund, the estate or trust may write one check and enclose the check with both Form NC-EDU and Form D-407V. To designate all or part of the estate or trust's overpayment to the N.C. Education Endowment Fund, see the instructions for Line 16 on page 3 of these instructions.

**Federal Extension.** An estate or trust must fill in either the "Yes" or "No" circle for the "Federal Extension" question on page 1 of Form D-407. This question **MUST** be answered by all estates and trusts. **Important:** If the estate or trust does not answer "Yes" to the Federal Extension question, the estate or trust may be subject to applicable late filing penalties. *(For more information on late filing penalties, see the top of this page.)*

## Line Instructions

**Line 1. Federal Taxable Income including ESBT Income.** Enter the federal taxable income of the estate or trust as defined under IRC sections 641 through 692. **Important:** If an ESBT, enter the federal

taxable income from both the S portion and the non-S portion of the trust.

**Note:** If completing the handwritten version of Form D-407, and Line 1 is less than zero, enter the amount of loss on Line 1 as a positive number and fill in the circle next to the line to indicate the amount is negative.

**Line 2. Additions to Federal Taxable Income.** Determine the amount to enter on Line 2 by first completing Form NC-PE. Allocate North Carolina additions between the estate or trust and the beneficiaries on Form D-407, Schedule A. **Important:** On Line 2, enter the amount from Schedule A, Fiduciary Column, Line 4.

**Line 4. Deductions from Federal Taxable Income.** Determine the amount to enter on Line 4 by first completing Form NC-PE. Allocate North Carolina deductions between the estate or trust and the beneficiaries on Form D-407, Schedule A. **Important:** On Line 4, enter the amount from Schedule A, Fiduciary Column, Line 5.

**Line 6. Income Not Taxable to North Carolina.** If none of the federal taxable income, as adjusted, is from dividends, interest, gains, losses, other intangibles, or is business income from sources outside North Carolina for the benefit of a nonresident beneficiary, you should enter zero on Line 6. The determination of the amount of federal taxable income (as adjusted) which is from intangible property or is business income from sources outside North Carolina for the benefit of a nonresident beneficiary is based on the income beneficiary's state of residence on the last day of the taxable year of the estate or trust.

If there are nonresident beneficiaries and Line 5 includes any income from interest, dividends, gains, losses, other intangible property, or business income from sources outside North Carolina for the benefit of a nonresident beneficiary, determine the amount to enter on Line 6 by completing Schedule B. *(For more information, see page 4 of these instructions.)* **Note:** If completing the handwritten version of Form D-407, and Line 6 is less than zero, enter the amount on Line 6 as a positive number and fill in the circle next to the line to indicate the amount is negative.

**Important:** On June 21, 2019, the United States Supreme Court ("Court") held that the presence of "in-state beneficiaries alone does not empower a state to tax trust income that has not been distributed to the beneficiaries where the beneficiaries have no right to demand that income and are uncertain ever to receive it." *North Carolina Department of Revenue v. The Kimberley Rice Kaestner 1992 Family Trust ("Kaestner")*, 139 S. Ct. 2213, 2221 (2019). By contrast, the Court stated that taxation of trust income based on distributions of trust income to an in-state resident, a trustee's in-state residence, or in-state trust administration does not violate the Constitution. *Id.* at 2220.

Trusts with connections to the State should carefully analyze and determine if the connections are sufficient for the State to tax the entity's undistributed taxable income under the Due Process Clause. If Line 5 includes undistributed income for the benefit of a resident beneficiary that meets the facts and circumstances of *Kaestner*, such that the income is not taxable to North Carolina, enter the amount of such income on the appropriate line of Schedule B on page 2 of Form D-407.

#### Line 9. Credits and Payments

**Important:** If you are filing an amended return and making an adjustment to the original amount reported on Lines 9a through 9e, see page 5 of these instructions.

- a. Tax Credits.** Enter the amount of tax credits claimed for 2025. *(From 2025 Form D-407TC, Line 14)*
- b. Paid with Extension.** Enter the amount of any payment with extension made for 2025. *(From 2025 Form D-410P)*
- c. Partnerships or S Corporations.** Enter the amount of North Carolina income tax paid by a partnership or S corporation on behalf

of the estate or trust. *(Include a copy of Form NC K-1 furnished by the partnership or S corporation to substantiate the amount claimed.)*

**Important:** The estate or trust cannot apportion or allocate to its beneficiaries any portion of North Carolina income tax paid by a partnership or an S corporation on behalf of the estate or trust if the amount was reported on Form NC K-1 issued to the estate or trust.

- d. North Carolina Tax Withheld Reported on Form 1099.** Enter the amount of North Carolina income tax withheld from the estate or trust if the amount withheld was reported on Form 1099. *(Include a copy of federal Form 1099 to substantiate the amount claimed.)*

**Important:** The estate or trust cannot apportion or allocate to its beneficiaries any portion of North Carolina income tax withheld if the amount was reported on Form 1099 issued to the estate or trust.

- e. Other Payments.** Enter the amount of any other North Carolina income tax payments made by or on behalf of the estate or trust for 2025, including any North Carolina income tax prepayments.

**Line 12. Penalties and Interest.** Add Lines 12a and 12b and enter the total on Line 12c. *(For more information on interest and penalties, see page 2 of these instructions, and pages 8 and 9 of the 2025 Individual Income Tax Instructions, Form D-401, available on the Department's website.)*

**Line 13. Amount Due.** Add Lines 11 and 12c and enter the total on Line 13. The total tax, penalties, and interest due must be paid by the fiduciary responsible for administering the estate or trust.

**Line 15. Contribution to the N.C. Nongame and Endangered Wildlife Fund.** An estate or trust may elect to contribute all or part of its overpayment to the North Carolina Nongame and Endangered Wildlife Fund (Wildlife Fund). The tax deductible contribution is essential to match private and federal grants to pay for conservation projects from sea turtles to songbirds, and native fish to bats. Conserving these species and their habitat is made possible by contributions. Donations provide most of the funds for conservation of North Carolina's endangered species and native backyard wildlife.

If the estate or trust wishes to contribute to the Wildlife Fund, enter the amount of the contribution on Line 15. **The election to contribute to the Wildlife Fund cannot be changed after the return is filed.** If the estate or trust is not due a refund, it may still contribute to this Wildlife Fund by mailing a donation directly to:

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, visit [ncwildlife.org/Donate](http://ncwildlife.org/Donate).

**Line 16. Contribution to the N.C. Education Endowment Fund.** The North Carolina Education Endowment Fund (N.C. Education Fund) was created to provide additional support and funding for K-12 public schools. If the estate or trust wishes to contribute all or part of its overpayment to the N.C. Education Fund, enter the amount of the contribution on Line 16. **The election to contribute to the N.C. Education Fund cannot be changed after the return is filed.**

If the estate or trust is not due a refund, it may still contribute to the N.C. Education Fund by (1) making a contribution with its tax return, or (2) mailing a donation directly to the State.

If the estate or trust makes a contribution with its tax return, the estate or trust **MUST** send a Form NC-EDU (N.C. Education Fund Payment Voucher), along with its contribution. Form NC-EDU is a personalized

voucher that allows the Department to process the contribution accurately and efficiently with fewer errors. To generate Form NC-EDU, visit the Department's website.

If the estate or trust wishes to make a donation directly to the State, mail the contribution to:

North Carolina Department of Public Instruction, Cash Collections  
6336 Mail Service Center,  
Raleigh, N.C. 27699-6336

**Line 17. Amount to be Refunded.** Enter the amount of overpayment to be refunded on Line 17. The amount to be refunded cannot exceed Line 14 minus the total of Lines 15 and 16.

## Schedule A - Apportionment of Income and Adjustments

Use Form NC-PE to compute the North Carolina adjustments. Generally, estates and trusts are subject to the same additions and deductions allowed to individuals. **Important:** Form NC-PE lists all North Carolina adjustments permitted to an individual who is required to file a North Carolina individual income tax return. Only adjustments allowed by North Carolina law can be claimed by the estate or trust. Some of the adjustments listed on Form NC-PE do not apply to an estate or trust. To determine if a North Carolina adjustment applies to an estate or trust, review applicable federal and North Carolina tax law.

In taxing estates and trusts, all income is taxable to the estate or trust, or to the beneficiaries. The conduit rule for taxing estates and trusts is applicable for North Carolina income tax purposes. Under the conduit rules, regardless of who is taxed, the income retains its same character as when received by the estate or trust. The additions and deductions to federal taxable income must be apportioned between the estate or trust and the beneficiaries, based on the distributions of income made during the taxable year. **Note:** *The addition for bonus depreciation shall be apportioned between the estate or trust and the beneficiaries. Starting with the following tax year, the estate or trust may deduct in five equal installments the deduction related to the estate or trust's portion of the addition for the bonus depreciation. The deduction related to the estate or trust's portion of the addition for bonus depreciation CANNOT be apportioned to any of the beneficiaries.*

If the trust instrument or will that created the estate or trust does not provide for the distribution of certain classes of income to different beneficiaries, the apportionment of additions and deductions to the beneficiaries is determined on the basis that each beneficiary's share of the estate or trust's "total income" (the sum of Lines 1 through 8 on the beneficiary's Schedule K-1, federal Form 1041) relates to "adjusted total income or (loss)" from Line 17 of federal Form 1041.

If the trust instrument or will specifically provides for the distribution of certain classes of income to different beneficiaries, any addition or deduction directly attributable to a particular class of income must be apportioned to the beneficiaries to which that class of income is distributed. In apportioning the adjustments, the total income on federal Schedule K-1 must be adjusted for distributions to the beneficiaries that are not reflected in the total income. The adjusted total income (Line 17 of federal Form 1041) must be adjusted (1) to exclude classes of income that are not part of the distribution to the beneficiary; (2) to include classes of income that are a part of the distribution to the beneficiary but are not included on Line 17; and (3) by any deduction treated differently for State and federal tax purposes that adjusts federal taxable income (see additions and deductions, Form NC-PE). The fiduciary may elect to apportion the federal deduction for State income tax to the estate or trust except in cases where the beneficiary's total distribution from the estate or trust has not been included in their federal taxable income because it exceeded the estate or trust's federal distributable net income. In such cases, the addition for State income tax must be apportioned to

the beneficiary to the extent the beneficiary's distribution exceeds the amount included in federal taxable income because of the State income tax deduction. After apportioning the additions and deductions to the beneficiaries, the balance is apportioned to the estate or trust by entering the amounts in the "Fiduciary" column. Line 3, Net N.C. Source Income, should reflect the sum of Lines 6 and 7, minus Line 8, from D-407 NC K-1.

Enter the full name and identifying number of each beneficiary and determine the additions and deductions to be apportioned to each beneficiary and to the estate or trust. Each beneficiary should be furnished a Form NC K-1 and NC K-1 Supplemental Schedule (if applicable) showing the applicable additions, deductions, tax credits, etc., to be reported on the beneficiary's North Carolina income tax return. A nonresident individual, in calculating the percentage of taxable income subject to North Carolina tax on their individual income tax return, must adjust their share of the income from North Carolina sources only by the additions and deductions attributable to the North Carolina income. The estate or trust's portion of the additions and deductions, from the "Fiduciary" column, should be reported on Lines 2 and 4, respectively, on page 1 of Form D-407.

**Note:** Any reference to "fiduciary" on Form D-407, Schedule A means the estate or trust.

## Schedule B - Income Not Taxable to North Carolina

**Line 1. Intangible Income for the Benefit of Nonresident Beneficiaries.** Enter any intangible income (as adjusted) from page 1, Line 5 of Form D-407 that is for the benefit of nonresident beneficiaries. Intangible income may include income from interest, dividends, gains, losses, or other intangible property.

**Line 2. Income for the Benefit of Nonresident Beneficiaries from Sources Other than North Carolina.** Enter any non-North Carolina source income (as adjusted) from page 1, Line 5 of Form D-407 that is for the benefit of a nonresident beneficiary.

**Important:** Lines 3 and 4 only apply if page 1, Line 5 of Form D-407 includes undistributed income for the benefit of a resident beneficiary that meets the facts and circumstances of *Kaestner*, such that the income is not taxable to North Carolina. (For more information on *Kaestner*, see page 3 of these instructions.)

**Line 3. Intangible Income for the Benefit of Resident Beneficiaries.** If page 1, Line 5 of Form D-407 includes undistributed income for the benefit of a resident beneficiary that meets the facts and circumstances of *Kaestner*, such that the income is not taxable to North Carolina, enter intangible income (as adjusted) from page 1, Line 5 of Form D-407 that is for the benefit of such resident beneficiaries. Intangible income may include income from interest, dividends, gains, losses, or other intangible property.

**Line 4. Income for the Benefit of Resident Beneficiaries from Sources Other than North Carolina.** If page 1, Line 5 of Form D-407 includes undistributed income for the benefit of a resident beneficiary that meets the facts and circumstances of *Kaestner*, such that the income is not taxable to North Carolina, enter non-North Carolina source income (as adjusted) from page 1, Line 5 of Form D-407 that is for the benefit of such resident beneficiaries.

## Instructions for Form D-407TC, Estates and Trusts Tax Credit Summary

Form D-407TC and, if applicable, Form NC-478 and Form NC-Rehab, must be filed by every estate or trust eligible to take a tax credit against its North Carolina income tax. **Important:** If the estate or trust claims a tax credit on Form D-407, Line 9a, the estate or trust **MUST** attach Form D-407TC to Form D-407. If the estate or trust does not attach

Form D-407TC, the Department may be unable to process the estate or trust's return. Failure to substantiate a tax credit may result in the disallowance of the tax credit.

All tax credits available to individuals are available to an estate or trust except for the tax credit for income tax paid to other states or countries by individuals under G.S. 105-153.9. The tax credit for income tax paid to other states or countries by estates or trusts is allowed under G.S. 105-160.4. (See *additional details below*.)

**Note:** Any reference to "fiduciary" on Form D-407TC means the estate or trust.

**Credit for income taxes paid to other states or countries by estates or trusts.** The tax credit for income taxes paid to another state or country under G.S. 105-160.4 must be allocated between the estate or trust and the beneficiaries. To determine the tax credit allowable to the estate or trust, Part 5 must be completed. However, before Part 5 can be completed, total income (from federal Form 1041, Line 9) on which such tax was paid must be allocated between the estate or trust and the beneficiaries. **Note:** If federal Form 1041, Schedule G, Line 4 reports tax on the S portion of the ESBT, include in gross income the total income reported on ESBT Tax Worksheet, Line 5.

The estate or trust's share and each beneficiary's share of the gross income on which tax has been paid to another state or country, and the amount of tax paid on the income, is determined by the governing instrument. The estate or trust's share of these amounts should be entered on Lines 3 and 4 of the "Fiduciary" column in Part 5, Section A. Each beneficiary's share of these amounts should be entered on Lines 3 and 4 of that beneficiary's column in Part 5, Section A. After allocating to the beneficiaries, enter the estate or trust's share of gross income taxed in another state or country on Part 5, Section B, Line 1. Enter on Part 5, Section B, Line 2, the estate or trust's share of gross income from federal Form 1041, Line 9 (and ESBT Tax Worksheet, Line 5, if any). Complete the remaining lines in Part 5, Section B to determine the estate or trust's share of the tax credit. **Note:** If the estate or trust wishes to claim a tax credit for taxes paid to more than one state or country, do not complete Lines 1 through 6 on Form D-407TC, Part 5, Section B. Instead, use the "Out-of-State Tax Credit Worksheet" on page 6 of these instructions to determine the amount of allowable tax credit for each state or country.

**Credits for rehabilitating historic structures.** For information on Article 3D, 3H, and 3L, see the 2025 North Carolina Individual Income Tax Instructions, Form D-401, available on the Department's website.

**Sunset for tax credit subject to 50% of tax limit.** Many of the tax credits subject to 50% of tax are repealed or designated for sunset. Taxpayers who qualified for these tax credits may continue to take any remaining installments and carryforwards of those tax credits after the sunset date if the taxpayer continues to meet the statutory eligibility requirements for each particular tax credit. (For more information, see each specific Article of Chapter 105 on the North Carolina General Assembly's website.)

## Instructions for Amending Form D-407, Estates and Trusts Income Tax Return

When filing an amended tax return, fill in the "Amended Return" circle located at the top right of Form D-407. Attach any documentation that supports the changes made on the return. If the estate or trust filed Form NC-PE or Form D-407TC with the original Form D-407, the estate or trust **MUST** file the form(s) with the amended Form D-407, even if there is no change to the form(s).

**Important:** If the amended return results in a change to the information provided to a beneficiary, a corrected Form NC K-1 and NC K-1 Supplemental Schedule (if applicable) must also be filed with the amended Form D-407 and given to each impacted beneficiary.

**Lines 1 through 9d.** Make any necessary changes to the original amount (original return) or adjusted amount (prior amendments) reported on Form D-407, Lines 1 through 9d, by entering the corrected amounts. **Note:** If you are completing the handwritten version of Form D-407, and the corrected amount of Line 1, 3, 5, 6, or 7 is negative, fill in the circle located next to line.

If the amount reported on Lines 2 or 4 is different from the amount originally reported, enter the corrected amount. If the correction to the amount(s) is due to correction(s) to amount(s) reported on original Form NC-PE, attach the corrected Form NC-PE to the amended Form D-407.

If the amount reported on Line 9a is different from the amount originally reported, you must complete Form D-407TC and attach the corrected Form D-407TC to the amended Form D-407.

**Line 9e.** Before making this entry, complete the "Worksheet for Line 9e" on page 6 of these instructions.

**Line 10.** If the total amount for credits and payments is negative, fill in the circle located next to Line 10 to indicate the amount is negative.

**Line 13.** If Line 13 reflects an amount due, and the estate or trust mails a check for payment of tax due, the estate or trust must complete **Form D-407V Amended**, Amended Estates and Trusts Payment Voucher, available on the Department's website. The voucher allows the Department to process the amended estates and trusts income tax return payment more accurately and efficiently with fewer errors. Enclose the completed voucher and payment with the estate or trust's amended tax return. **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.

**Lines 15 and 16.** If the estate or trust previously contributed all or part of an overpayment to either the N.C. Nongame and Endangered Wildlife Fund or the N.C. Education Endowment Fund (Form D-407, Line 15 or Line 16), **DO NOT** enter the amount again on the amended return. However, if the amended return reflects an additional overpayment, the estate or trust may contribute all or part of that overpayment to either fund by entering the contribution on Line 15 or Line 16, respectively. **The election to contribute an overpayment to the N.C. Nongame and Endangered Wildlife Fund or the N.C. Education Fund cannot be changed after the amended return is filed.**

**Line 17.** Enter the amount of overpayment to be refunded to the estate or trust on Line 17.

**Schedule A and Schedule B.** Make any necessary changes to the original Form D-407 by showing the corrected amount on the applicable line.

### Out-of-State Tax Credit Worksheet

(Use a separate worksheet to determine the separate credit for each state or country. **Note:** Any reference to "fiduciary" on this worksheet means the estate or trust.)

1. Fiduciary's share of gross income taxed in another state or country (*Specific state or country's portion of gross income from Form D-407TC, Part 5, Section A, Fiduciary Column, Line 3*) ..... 1. \_\_\_\_\_
2. Fiduciary's share of total gross income (*See instructions on page 5*) ..... 2. \_\_\_\_\_
3. Percentage of income taxed in another state or country (*Divide Line 1 by Line 2*) ..... 3. \_\_\_\_\_
4. Amount of N.C. Income Tax (*From Form D-407, Page 1, Line 8*) ..... 4. \_\_\_\_\_
5. Computed tax credit (*Multiply Line 3 by Line 4*) ..... 5. \_\_\_\_\_
6. Fiduciary's share of tax paid to the other state or country (*Specific state or country's portion of tax paid from Form D-407TC, Part 5, Section A, Fiduciary Column, Line 4. Attach copy of the state or country's return and proof of payment.*) ..... 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-407TC, Part 5, Section B, Line 7a ..... 7. \_\_\_\_\_

### Worksheet for Line 9e (Amended Returns Only)

1. Enter the amount originally reported on Line 9e ..... 1. \_\_\_\_\_
2. If the amount originally reported on Line 9e was overstated, enter the amount of overstatement as a negative number. Otherwise, enter zero. **For example:** Estate XYZ originally reported \$1,000 on Line 9e. Upon review, it was determined that Estate XYZ should have reported \$600 on Line 9e. When amending its return, Estate XYZ should enter (\$400) on Line 2. .... 2. \_\_\_\_\_
3. If the amount originally reported on Line 9e was understated, enter the amount of understatement as a positive number. Otherwise, enter zero. **For example:** Estate XYZ originally reported \$1,000 on Line 9e. Upon review, it was determined that Estate XYZ should have reported \$1,200 on Line 9e. When amending its return, Estate XYZ should enter \$200 on Line 3. .... 3. \_\_\_\_\_
4. Add Lines 1 through 3 ..... 4. \_\_\_\_\_
5. Enter the amount originally reported on Line 13 plus any additional income tax paid for the tax year after the original return was filed. If the amount originally reported on Line 13 was not paid when the original return was filed, enter only the amount of tax paid. **Important:** Do not include payments of interest or penalties. .... 5. \_\_\_\_\_
6. Add Line Lines 4 and 5 ..... 6. \_\_\_\_\_
7. Enter the amount originally reported on Line 14. If the amount originally reported on Line 14 was adjusted by the Department, enter the adjusted amount. **Important:** Do not include interest received on any refund. .... 7. \_\_\_\_\_
8. Subtract Line 7 from Line 6. Enter the result on Line 9e. **Important:** If the amount is negative, fill in the circle located next to Line 9e to indicate the amount is negative ..... 8. \_\_\_\_\_