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

Part 1. Tax Credits Subject to 50% of Tax Limitation. Most of the credits listed on Form NC-478 expired on or before January 1, 2016. Taxpayers may continue to take the remaining installments and carryforwards of prior years' credits in Part 1. After completing the applicable parts on the NC-478 series form, enter the "Credit Amount to Take in Tax Year 2025" from each form on the appropriate line in Part 1 of NC-478. Add Lines 1 through 8 and enter the total on Line 9. **This is the total amount of tax credits available in 2025 subject to the 50% of tax limitation.**

If taking a credit for cigarettes for export, cigarettes for export while increasing employment, or constructing a railroad intermodal facility complete and attach a separate schedule showing how you calculated the credit.

Individuals, partnerships, and trusts or estates enter the credits only in the income column because franchise tax is not required for these types of entities. ***Partnerships*** enter only the portion of each credit that is allocable to their nonresident partners on whose behalf the managing partner pays the tax. *(For information on tax credits and Taxed Partnerships, see the instructions for Partnerships on the Department's website.)* ***All corporations*** may elect to take each credit against franchise or income tax except for the credit for manufacturing cigarettes for export or the credit for manufacturing cigarettes for export while increasing employment. These credits may only be taken against income tax. The credit for technology commercialization (Article 3A) and the credit for investing in real property (Article 3J) may be divided between franchise and income tax. The election of which tax the Article 3J credits will be allowed against or what percentage of the credits are applied against each tax is allowed without regard to the original election regarding the division of the credit. However, the election for the credit for technology commercialization under Article 3A is binding for all future installments and carryforwards of that credit.

S Corporations enter the total amount of credit being applied against franchise tax. However, S Corporations enter in the income column only the portion of each credit that is allocable to the nonresident shareholders on whose behalf a composite return is filed or to Taxed S Corporations. *(For information on tax credits and Taxed S Corporations, see the instructions for S Corporations on the Department's website.)* ***Insurance companies*** may take the credits against the gross premiums tax by entering the total amount of credit in the franchise column.

Part 2. Computation of 50% Limit. Complete Part 2 to determine if the total credits calculated in Part 1 must be reduced because the total credits available in 2025 exceed 50% of the tax due in 2025 less other credits not subject to the 50% of tax limit.

Line 10 - ***Individuals*** enter the amount of tax due from form D-400, Line 15. ***Partnerships*** enter the amount of tax due from form D-403, Part 1, Line 11. ***Estates and Trusts*** enter the amount of tax due from form D-407, Line 8. ***C Corporations*** enter the amount of franchise tax due from form CD-405, Schedule A, Line 2, in the franchise column, and the amount of income tax due from form CD-405, Schedule B, Line 23, in the income column. ***S Corporations*** enter the amount of franchise tax due from form CD-401S, Schedule A, Line 2, in the franchise column and the amount of income tax due for nonresident shareholders filing composite or to Taxed S Corporations from form CD-401S, Schedule B, Line 19, in the income column. ***Insurance companies*** enter the total amount of gross premiums tax.

Line 11 - ***Individuals*** enter the amount from form D-400TC, Line 16. ***Corporations*** enter the amount from form CD-425, Part 1, Line 8, in the franchise column, and the amount from form CD-425, Part 3, Line 23, in the income column. ***Partnerships*** enter the amount from form D-403TC, Line 8. ***Estates and Trusts*** enter the amount from form D-407TC, Line 9.

Line 14 - Enter the lesser of Part 1, Line 9, or Part 2, Line 13.

Part 3. Amount of Each Credit Taken in 2025. If the amount of available credits on Part 1, Line 9 is less than the amount on Part 2, Line 13, then the total amount of eligible tax credits available in 2025 does not exceed 50% of the 2025 tax liability. Enter on Part 3, Lines 15 through 22 the same amounts entered on Part 1, Lines 1 through 8.

If the amount of available credits on Part 1, Line 9, is greater than the amount on Part 2, Line 13, then the total amount of eligible tax credits available in 2025 exceeds 50% of the 2025 tax liability. The amount of eligible tax credits from Part 1, Line 9, must be reduced to equal the amount on Part 2, Line 14. A taxpayer may choose how to allocate the allowable amount of credit (Line 14) among the credits for which it is eligible (Lines 1 through 8) by completing Lines 15 through 22. If the amount of eligible credit in Part 1 exceeds the amount of allocated credit in Part 3, a taxpayer may be eligible to carry forward the excess amount to the next year.

Line 23 - Add Lines 15 through 22 and enter the total. This amount cannot exceed the amount on Part 2, Line 14. **This is the total amount of tax credits actually taken in 2025.**

Individuals enter the amount of tax credits on form D-400TC, Part 3, Line 19. ***Partnerships*** enter the amount of tax credits on form D-403TC, Part 2, Line 11. ***Estates and Trusts*** enter the amount of tax credits on form D-407TC, Part 2, Line 12. ***Corporations*** enter the total amount of tax credits applied against franchise tax on form CD-425, Part 2, Line 12, and the total amount of tax credits applied against income tax on form CD-425, Part 4, Line 27. ***Insurance companies*** claim the amount of tax credits on the gross premiums tax return.