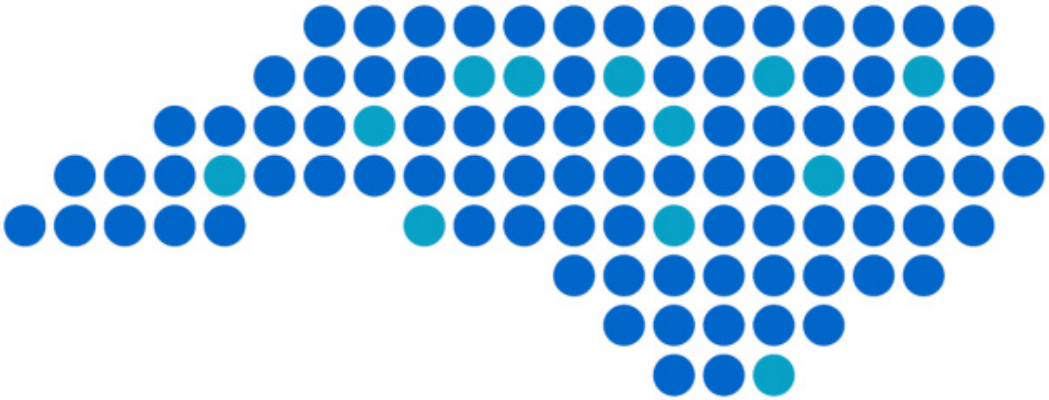
NCDOR | NORTH CAROLINA DEPARTMENT OF REVENUE

Restaurants, Bars, and Other Similar Establishments



Revised 3.6.2015

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CAUTION

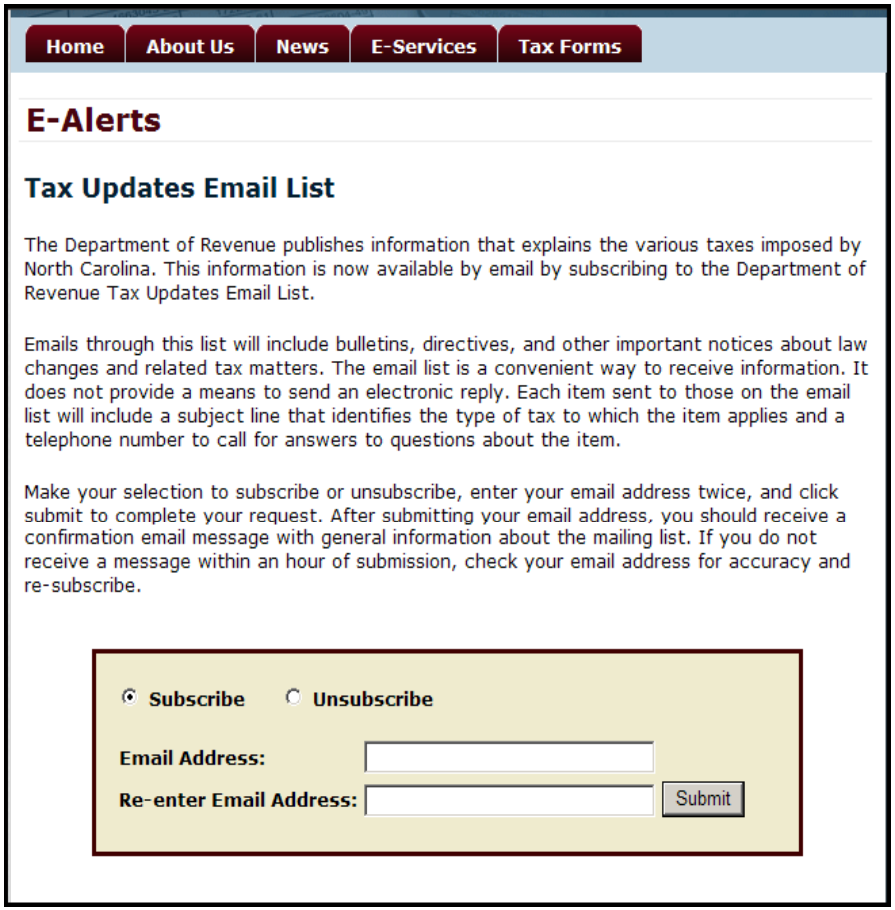
The NC Department of Revenue provides this information as a courtesy to help keep you informed. As tax laws change, the application of the information provided may change as well. This information is general and summary in nature, and should not be construed as advice for your specific situation. If you would like to obtain specific tax advice which is binding on the Department, you may follow the procedure for requesting a letter ruling, which is located at www.dornc.com.

Agenda

- Business Registration
- Taxability of Food, Alcoholic Beverages, & Entertainment Events
- Withholding tax
- Record keeping
- ABC Permit Compliance
- Resources

E-Alerts

For the latest updates in North Carolina Tax Law that may affect you and your business, please sign up for E-Alerts at: http://www.dornc.com/electronic/taxupdates.html



Home | About Us | News | E-Services | Tax Forms

E-Alerts

Tax Updates Email List

The Department of Revenue publishes information that explains the various taxes imposed by North Carolina. This information is now available by email by subscribing to the Department of Revenue Tax Updates Email List.

Emails through this list will include bulletins, directives, and other important notices about law changes and related tax matters. The email list is a convenient way to receive information. It does not provide a means to send an electronic reply. Each item sent to those on the email list will include a subject line that identifies the type of tax to which the item applies and a telephone number to call for answers to questions about the item.

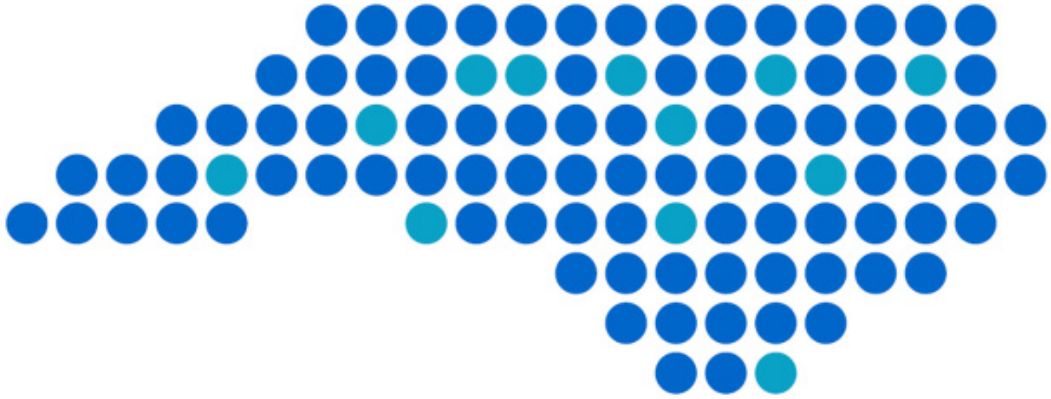
Make your selection to subscribe or unsubscribe, enter your email address twice, and click submit to complete your request. After submitting your email address, you should receive a confirmation email message with general information about the mailing list. If you do not receive a message within an hour of submission, check your email address for accuracy and re-subscribe.

Subscribe Unsubscribe

Email Address:

Re-enter Email Address: Submit

Business Registration



Business Registration

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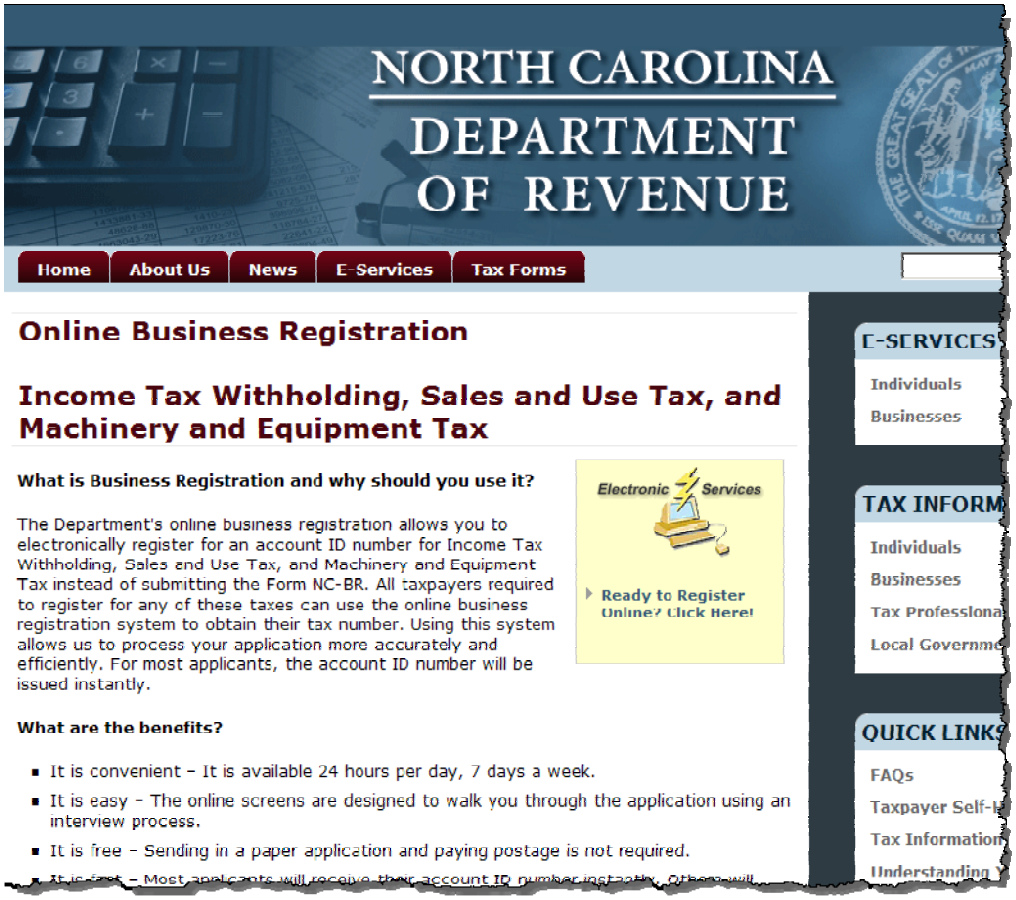
- Complete Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax
- Register using one of the following methods:
  - Register Online
    - Go to http://www.dornc.com/electronic/registration/index.html
  - Use Web Fill-In Form
    - Go to http://www.dornc.com/downloads/sales.html > NC-BR>web fill-in to enter information online and print a completed form to mail to the Department
  - Fill out Paper Form
    - Order online at http://www.dornc.com/forms/order.html ; or"
    - Pick up Form NC-BR from one of our service centers

Business Registration

NCDOR

Online



Benefits:

- Free
- Easy step-by-step instructions
- Receive account number in minutes

http://www.dornc.com/electronic/registration/index.html

Business Registration

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- Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax

PRINT CLEAR

NC-BR
Web-Fill
1-15

Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax
North Carolina Department of Revenue

Office Use

ntifying Information

1. Federal Employer ID No.: - or Proprietor's Social Security No.: - -
2. Type of Ownership: Proprietorship Corporation LLC Partnership LLP Fiduciary Other (Identify)
   If a corporation, state of incorporation: If Corporation or LLC, enter N.C. Secretary of State ID No., if applicable:
3. Legal Business or Owner's Name:
4. Trade Name (DBA Name):
5. Daytime Business Phone: 6. Fax Phone:
7. Business Location in N.C.: Street
   (Not P.O. Box Number) City State Zip Code County
8. Is the business located within city or town limits? Yes No 9. Number of locations in N.C. Enclose list if more than one.
10. Mailing Address: Street or P.O. Box

Business Registration

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Form NC-BR Sales and Use Tax Section, and Machinery and Equipment Tax Section

PRINT CLEAR

NC-BR
Web-Fill
1-15

Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax
North Carolina Department of Revenue

Office Use

III. Sales and Use Tax Section

-When will you start selling or purchasing items subject to N.C. sales or use tax? (You are [illegible] beginning with the month or quarter you indicate.)

-Will your sales or gross receipts be? Retail (to users or consumers) Wholesale (to registered merchants for resale) Both Retail and Wholesale

-What kind of business are you engaged in? *(Be specific)*

-What accounting method will you use?* Cash Accrual

-Will you provide and sell piped natural gas? Yes No

-Will you provide and sell electricity? Yes No

-Will you lease motor vehicles to others? Yes No

-Will you sell new tires? Yes No

-Will you sell new appliances? Yes No

-Are you registering only to remit use tax on purchases? Yes No

-Will you provide and sell telecommunications services? Yes No

-Will you provide and sell direct-to-home satellite services? Yes No

-Will you provide and sell other video programming services? Yes No

-Will you provide and sell prepaid wireless telecommunications services? Yes No

-Amount of sales tax expected each month: Less than $100 (Quarterly) $100 - $20,000 (Monthly) More than $20,000 (Monthly with Prepayment)

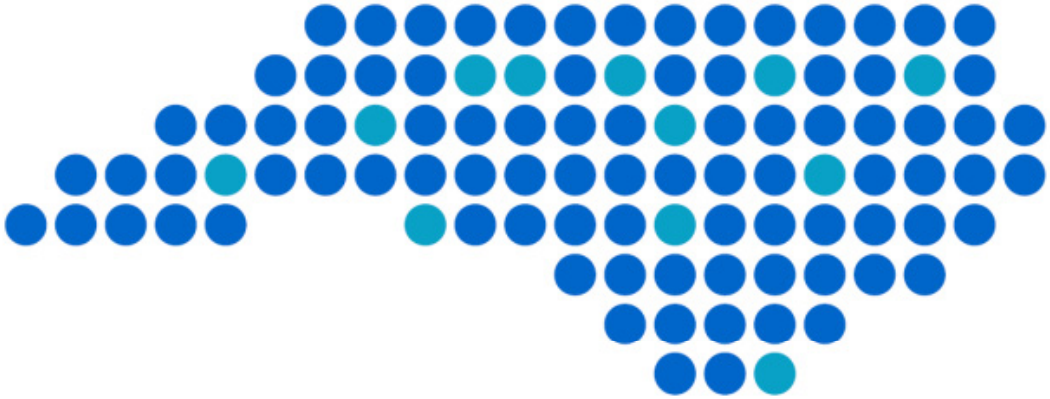
-If business is seasonal (six or fewer monrths), fill in circles for months of sales: Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

*Sales tax on telecommunications services and electricity must be reported on the accrual basis.

IV. Machinery and Equipment Tax Section - *Complete to apply for a number to remit tax on purchases of machinery and equipment.*

-Are you registering to remit tax on purchases of machinery and equipment to operate a manufacturing industry or plant, certain recycling purchases by a major recycling facility, or other items subject to tax pursuant to Article 5F? Yes No

Food, Alcoholic Beverages, & Entertainment Events



Understanding Sales

Tax Obligations

Sales and Use Tax

- Every person engaged in business in North Carolina is required to collect and pay sales or use tax on retail sales or leases of tangible personal property and certain digital property not specifically exempt by law.

- Some services are also taxable.

Sales and Use Tax

- Use taxes are due by businesses on tangible personal property and certain digital property purchased or leased inside or outside this State that is stored, used, or consumed in North Carolina. Use tax is due on taxable services sourced to North Carolina.
  - For example: A restaurant in N.C. buys an oven from a Virginia vendor. The Virginia vendor ships the oven to the restaurant in N.C. and does not charge tax. The restaurant in N.C. owes use tax. The vendor is not obligated to charge N.C. sales tax if he does not have a physical presence in this state.
- Use Tax rates are the same as sales tax rates
- Taxpayer can claim a credit for sales or use tax due and paid to another state if other state allows a similar credit to NC.
- Businesses report use tax on Form E-500, Sales and Use Tax Return
- Businesses not registered to remit sales and use tax must register by completing Form NC-BR, Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax.

Tax on Food

- **Prepared food and soft drinks from restaurants and bars** are taxed at the 4.75% General State rate and applicable local rate and transit rates of sales and tax.
  - Example of prepared foods taxed at 4.75% State rate and applicable local and transit rates of tax are listed on the sample menu below:

Raleigh Grill Menu

ALL NATURAL ANGUS BURGER – LTM
ITALIAN PANINI – Locally cured meats, Romano, banana peppers, roasted tomatoes
CHICKEN SALAD – Celery, pecans, raisins
CHICKEN CORDON BLEU SANDWICH – Crispy Chicken Tenderloin, Hickory Ham, Swiss Cheese
FRIED GREEN TOMATO BLT
CLUB SANDWICH – House roasted turkey, country ham, hoop cheddar, LTO, pesto mayo

Soda
Sweet Tea

Applicable Tax Rate for Alcoholic Beverages

- The sales of alcoholic beverages by restaurants, bars, and similar establishments are subject to the 4.75% General State and applicable local and transit rates of sales or use tax.

Examples of Alcoholic Beverages

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- Sales of mixed drinks and mixed beverages, including straight shots of spirituous liquor, by restaurants, bars and other establishments.

- Sales of beer and wine, whether by the drink or in closed containers.

- A retailer who holds a wine shipper permit issued by the ABC Commission is considered to be engaged in business in North Carolina. The retailer is required to collect and remit the 4.75% General State and applicable local and transit rates of sales or use tax on its retail sales of wine to purchasers in this State.

Admission Charges

- Gross receipts derived from an admission charge to an entertainment activity sold at retail to a live event occurring on or after January 1, 2015, are subject to the 4.75% general State and applicable local and transit rates of tax regardless of when the initial sale of a ticket to the event occurred.
  - Example – Tickets or cover charge for a live band performance

Sales and Use Tax

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Tax Rates:

- **General state rate: <u>4.75 %</u>**

  - Sales and purchases of tangible personal property not subject to a preferential rate.
  - Receipts from leases/rentals of tangible personal property
  - Receipts from rentals of hotel/motel rooms, lodgings, etc.
  - Receipts from laundries, dry cleaning
  - Receipts from satellite digital audio radio service
  - Certain digital property that is delivered or accessed electronically, is not considered tangible personal property, and would be taxable under Article 5 if sold in a tangible medium.

Sales and Use Tax

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Local and transit rates of sales and use tax as of October 1, 2014:

2% - 72 counties

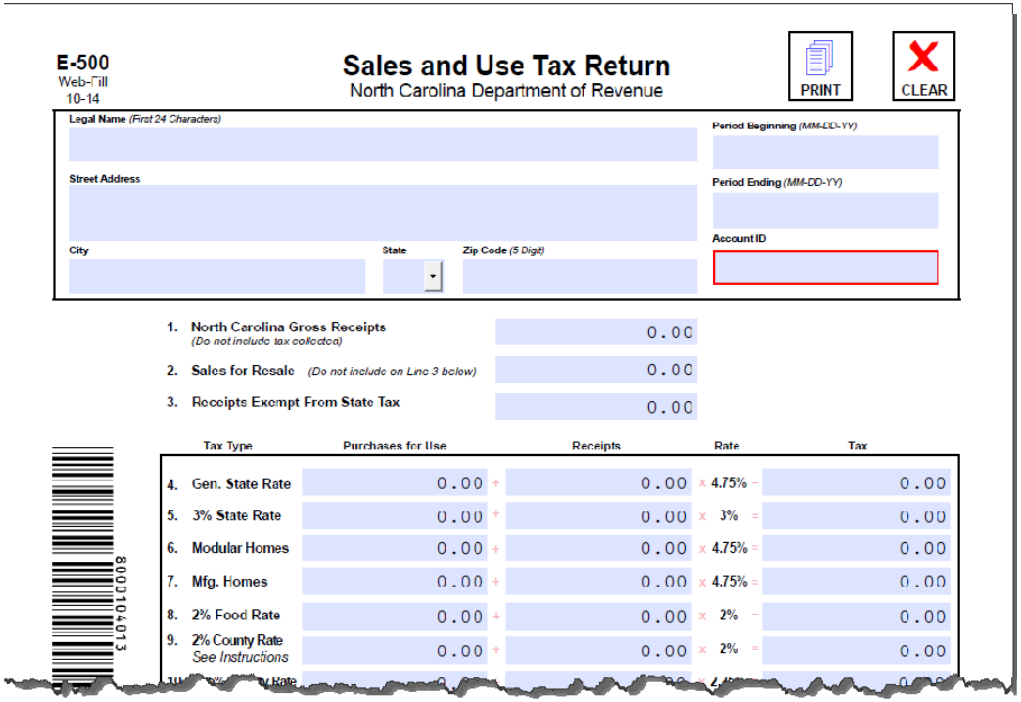
2.25% - Alexander, Buncombe, Cabarrus, Catawba, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry, and Wilkes

2.5% -**Mecklenburg County** (2% local rate and 0.5% transit rate of sales and use tax)

2.75% - **Durham & Orange Counties** (2.25% local rate and 0.5% transit rate of sales and use tax)

How are prepared food, soft drinks & alcoholic beverage sales reported?

Sales of prepared food, soft drinks & alcoholic beverages by restaurants, bars, and similar establishments, are reported using Form E-500, Sales and Use tax return.



E-500
Web-Till
10-14

Sales and Use Tax Return
North Carolina Department of Revenue

PRINT CLEAR

Legal Name *(First 24 Characters)*
Period Beginning *(MM-DD-YY)*
Street Address
Period Ending *(MM-DD-YY)*
City
State
Zip Code *(5 Digit)*
Account ID

1. North Carolina Gross Receipts *(Do not include tax collected)* 0.00
2. Sales for Resale *(Do not include on Line 3 below)* 0.00
3. Receipts Exempt From State Tax 0.00

	Tax Type	Purchases for Use		Receipts		Rate		Tax
4.	Gen. State Rate	0.00	+	0.00	x	4.75%	=	0.00
5.	3% State Rate	0.00	+	0.00	x	3%	=	0.00
6.	Modular Homes	0.00	+	0.00	x	4.75%	=	0.00
7.	Mfg. Homes	0.00	+	0.00	x	4.75%	=	0.00
8.	2% Food Rate	0.00	+	0.00	x	2%	=	0.00
9.	2% County Rate *See Instructions*	0.00	+	0.00	x	2%	=	0.00

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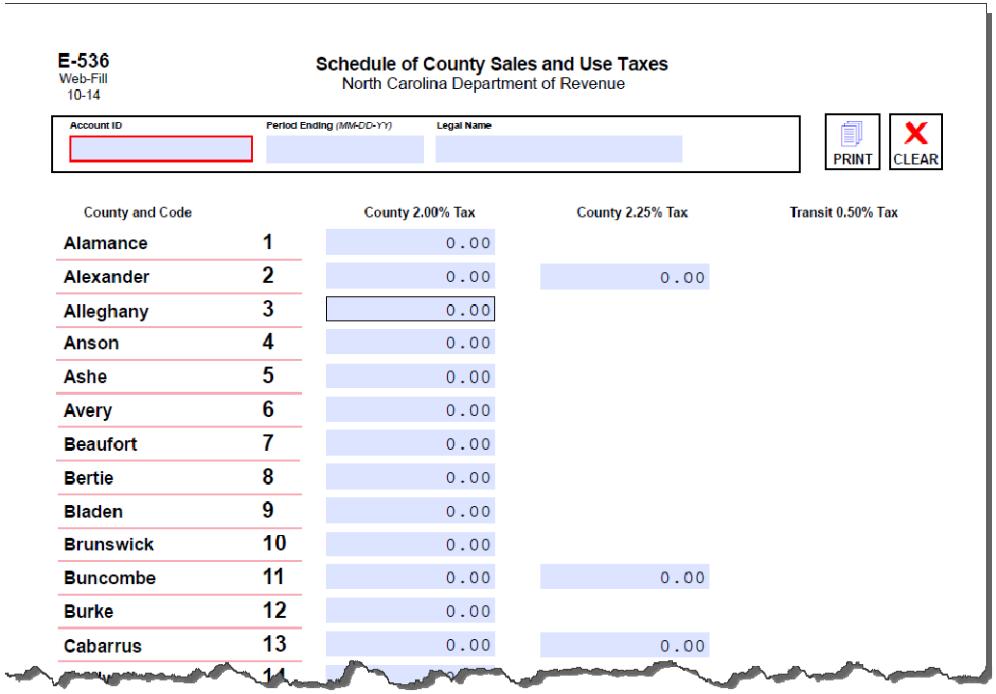
How are prepared food, soft drinks & alcoholic beverage sales reported? (cont.)

- **Breakdown of county tax required if sales in more than one county or if filing online.**
  - Form E – 536 (Schedule of County Sales and Use Taxes)



E-536
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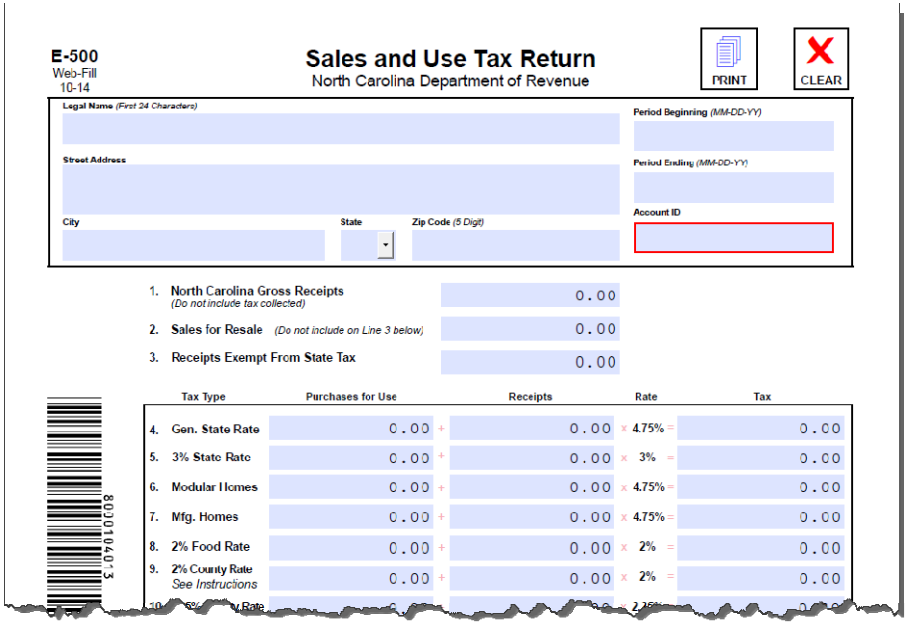
Schedule of County Sales and Use Taxes
North Carolina Department of Revenue

Account ID | Period Ending (MM-DD-YY) | Legal Name

PRINT | CLEAR

County and Code		County 2.00% Tax	County 2.25% Tax	Transit 0.50% Tax
Alamance	1	0.00		
Alexander	2	0.00	0.00	
Alleghany	3	0.00		
Anson	4	0.00		
Ashe	5	0.00		
Avery	6	0.00		
Beaufort	7	0.00		
Bertie	8	0.00		
Bladen	9	0.00		
Brunswick	10	0.00		
Buncombe	11	0.00	0.00	
Burke	12	0.00		
Cabarrus	13	0.00	0.00	

How are prepared food, soft drinks & alcoholic beverage sales reported? (cont.)



E-500
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10-14

Sales and Use Tax Return
North Carolina Department of Revenue

PRINT CLEAR

Legal Name *(First 24 Characters)*
Period Beginning *(MM-DD-YY)*
Street Address
Period Ending *(MM-DD-YY)*
City
State
Zip Code *(5 Digit)*
Account ID

1.	North Carolina Gross Receipts *(Do not include tax collected)*	0.00
2.	Sales for Resale *(Do not include on Line 3 below)*	0.00
3.	Receipts Exempt From State Tax	0.00

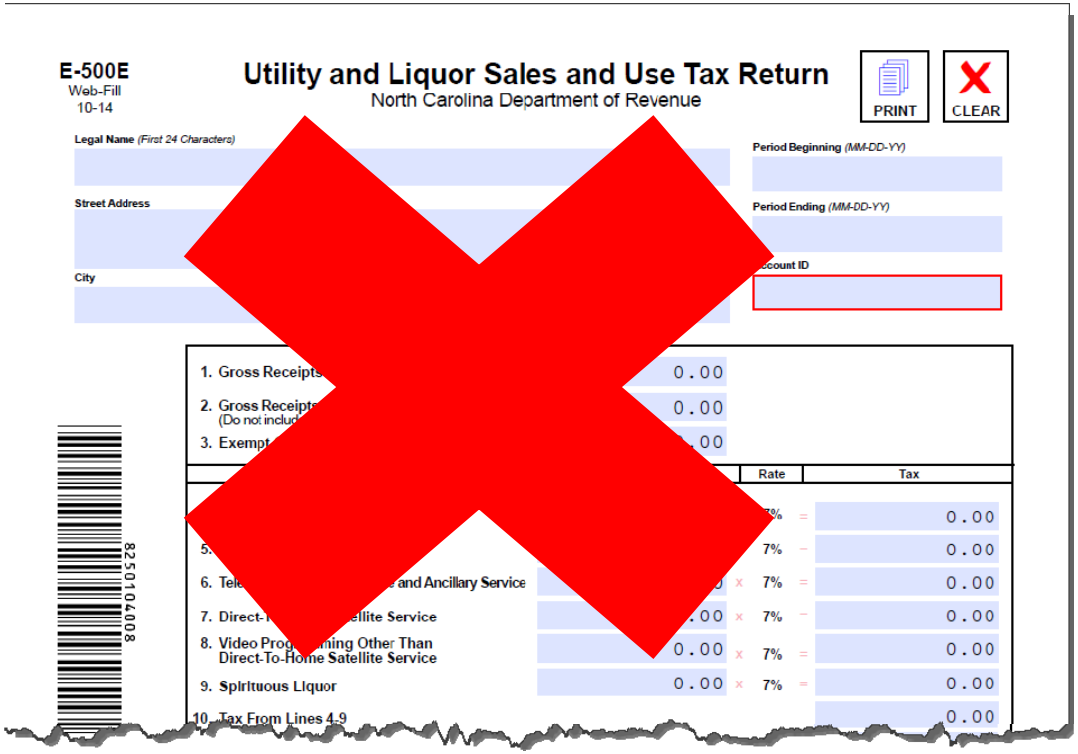
	Tax Type	Purchases for Use		Receipts		Rate		Tax
4.	Gen. State Rate	0.00	+	0.00	x	4.75%	=	0.00
5.	3% State Rate	0.00	+	0.00	x	3%	=	0.00
6.	Modular Homes	0.00	+	0.00	x	4.75%	=	0.00
7.	Mfg. Homes	0.00	+	0.00	x	4.75%	=	0.00
8.	2% Food Rate	0.00	+	0.00	x	2%	=	0.00
9.	2% County Rate See Instructions	0.00	+	0.00	x	2%	=	0.00

- **A timely return must be filed when due (quarterly or monthly) even if no tax is due.**

Do Not use Form E-500E to report sales of alcoholic beverages !

- Form E-500E is used for the sale of **"Spirituous liquor"**.(Distilled spirits or ethyl alcohol, including spirits of wine, whiskey, rum, brandy, gin, and all other distilled spirits and mixtures of cordials, liqueurs, and premixed cocktails in closed containers for beverage use regardless of the dilution.)

- The E-500E is used by ABC store



Sample Sales Tax Problem

- XYZ Restaurant had alcoholic beverage sales of $276.00 and food sales of $224.73 in Charlotte, NC (Mecklenburg county) for the month of May in 2014. The company also purchased a new cash register from ABC company from New York, NY. The register was delivered to XYZ Restaurant with the invoice purchase price of $1999.00 with no tax or shipping costs.
- Complete the monthly E-500 Sales and Use Tax return for May of 2014 for XYZ Restaurant.

Answer: (cont.)

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E-500
Web-Fill
10-14

Sales and Use Tax Return
North Carolina Department of Revenue

PRINT CLEAR

Legal Name (First 24 Characters): XYZ RESTAURANT
Period Beginning (MM-DD-YY): 05-01-14
Street Address: 123 Anywhere Street
Period Ending (MM-DD-YY): 05-31-14
City: CHARLOTTE
State: NC
Zip Code (5 Digit): 28201
Account ID: 600000000

1. North Carolina Gross Receipts (Do not include tax collected) 500.73
2. Sales for Resale (Do not include on Line 3 below)
3. Receipts Exempt From State Tax 0.00

Tax Type	Purchases for Use	Receipts	Rate	Tax
4. Gen. State Rate	1999.00	500.73	4.75%	118.74
5. 3% State Rate	0.00			
6. Modular Homes	0.00			
7. Mfg. Homes	0.00			
8. 2% Food Rate	0.00			
9. 2% County Rate See Instructions	1999.00			
10. 2.25% County Rate	0.00			
11. 0.5% Transit County Rate	1999.00			
12. 0.25% Transit County Rate	0.00			

13. Total State and County Tax (Add Tax From Lines
14. Excess Collections
15. Total Tax (Add Lines 13 and 14)
16. Penalty - State and County
17. Interest - State and County
18. Less Prepayment for This Period
19. Prepayment for Next Period
20. Less any Credit (Attach Explanation)
21. Total Due (Add Lines 15 - 17 and 19, Minus Lines 18

Signature:
I certify that, to the best of my knowledge, this return is acc
Title: OWNER
MAIL TO: P.O. Box 25000,

E-500
Web-Fill
10-14

Sales and Use Tax Return
North Carolina Department of Revenue

PRINT CLEAR

Legal Name (First 24 Characters): XYZ RESTAURANT
Period Beginning (MM-DD-YY): 05-01-14
Street Address: 123 Anywhere Street
Period Ending (MM-DD-YY): 05-31-14
City: CHARLOTTE
State: NC
Zip Code (5 Digit): 28201
Account ID: 600000000

1. North Carolina Gross Receipts (Do not include tax collected) 500.73
2. Sales for Resale (Do not include on Line 3 below)
3. Receipts Exempt From State Tax 0.00

Tax Type	Purchases for Use	Receipts	Rate	Tax
4. Gen. State Rate	1999.00	500.73	4.75%	118.74

Answer: (cont.)

NCDOR

E-500
Web-Fill
10-14

Sales and Use Tax Return
North Carolina Department of Revenue

PRINT CLEAR

Legal Name (First 24 Characters): XYZ RESTAURANT
Period Beginning (MM-DD-YY): 05-01-14
Street Address: 123 Anywhere Street
Period Ending (MM-DD-YY): 05-31-14
City: CHARLOTTE
State: NC
Zip Code (5 Digit): 28201
Account ID: 600000000

1. North Carolina Gross Receipts (Do not include tax collected) 500.73
2. Sales for Resale (Do not include on Line 3 below)
3. Receipts Exempt From State Tax

Tax Type	Purchases for Use	Receipts
4. Gen. State Rate	1999.00	5
5. 3% State Rate	0.00	
6. Modular Homes	0.00	
7. Mfg. Homes	0.00	
8. 2% Food Rate	0.00	
9. 2% County Rate See Instructions	1999.00	5
10. 2.25% County Rate	0.00	
11. 0.5% Transit County Rate	1999.00	5
12. 0.25% Transit County Rate	0.00	

13. Total State and County Tax (Add Tax From Lines 4 through 12)
14. Excess Collections
15. Total Tax (Add Lines 13 and 14)
16. Penalty - State and County
17. Interest - State and County
18. Less Prepayment for This Period
19. Prepayment for Next Period
20. Less any Credit (Attach Explanation)
21. Total Due (Add Lines 15 - 17 and 19, Minus Lines 18 and 20)

Signature: Date: 06-20-14
I certify that, to the best of my knowledge, this return is accurate and complete.
Title: OWNER Phone: (919) 123-4567
MAIL TO: P.O. Box 25000, Raleigh, NC 27640-0700

Tax Type	Purchases for Use		Receipts		Rate		Tax
4. Gen. State Rate	1999.00	+	500.73	x	4.75%	=	118.74
5. 3% State Rate	0.00	+	0.00	x	3%	=	0.00
6. Modular Homes 2.5% 10/1/13-12/31/13 4.75% Effective 1/1/14	0.00	+	0.00	x		=	0.00
7. Mfg. Homes 2% 10/1/13-12/31/13 4.75% Effective 1/1/14	0.00	+	0.00	x		=	0.00
8. 2% Food Rate	0.00	+	0.00	x	2%	=	0.00
9. 2% County Rate See Instructions	1999.00	+	500.73	x	2%	=	50.00
10. 2.25% County Rate	0.00	+	0.00	x	2.25%	=	0.00
11. 0.5% Transit County Rate	1999.00	+	500.73	x	0.5%	=	12.50
12. 0.25% Transit County Rate	0.00	+	0.00	x	0.25%	=	0.00
13. Total State and County Tax (Add Tax From Lines 4 through 12)							181.24
14. Excess Collections							0.00
15. Total Tax (Add Lines 13 and 14)							181.24
16. Penalty - State and County							0.00

Answer: (cont.)

NCDOR

E-500
Web-Fill
10-14

Sales and Us
North Carolina Dep

Legal Name (First 24 Characters)
XYZ RESTAURANT

Street Address
123 Anywhere Street

City: CHARLOTTE
State: N
Zip Code: 282

1. North Carolina Gross Receipts (Do not include tax collected)	
2. Sales for Resale (Do not include on Line 3 below)	
3. Receipts Exempt From State Tax	

Tax Type	Purchases for Use			
4. Gen. State Rate	1999.00			
5. 3% State Rate	0.00			
6. Modular Homes	0.00			
7. Mfg. Homes	0.00			
8. 2% Food Rate	0.00			
9. 2% County Rate See Instructions	1999.00			
10. 2.25% County Rate	0.00			
11. 0.5% Transit County Rate	1999.00	500.73	0.5%	12.50
12. 0.25% Transit County Rate	0.00	0.00	0.25%	0.00

13. Total State and County Tax (Add Tax From Lines 4 through 12)	181.24
14. Excess Collections	0.00
15. Total Tax (Add Lines 13 and 14)	181.24
16. Penalty - State and County	0.00
17. Interest - State and County	0.00
18. Less Prepayment for This Period	0.00
19. Prepayment for Next Period	0.00
20. Less any Credit (Attach Explanation)	0.00
21. Total Due (Add Lines 15 - 17 and 19, Minus Lines 18 and 20)	$ 181.24

Signature: Date: 06-20-14
I certify that, to the best of my knowledge, this return is accurate and complete.
Title: OWNER Phone: (919) 123-4567
MAIL TO: P.O. Box 25000, Raleigh, NC 27640-0700

16. Penalty - State and County	0.00
17. Interest - State and County	0.00
18. Less Prepayment for This Period	0.00
19. Prepayment for Next Period	0.00
20. Less any Credit (Attach Explanation)	0.00
21. Total Due (Add Lines 15 - 17 and 19, Minus Lines 18 and 20)	$ 181.24

Signature: John Smith Date: 6/20/14
I certify that, to the best of my knowledge, this return is accurate and complete.
Title: OWNER Phone: 919-123-4567
MAIL TO: P.O. Box 25000, Raleigh, NC 27640-0700

Filing Frequencies

NCDOR

- **Quarterly:** taxpayers who consistently owes less than $100 per month
  - Reports and payment are due by the last day of the first month after the quarter ends (April, July, October, January)

- **Monthly:** taxpayers who consistently owes $100 but less than $20,000 per month
  - Reports and payment are due by the 20th of the following month

- **Monthly (with Prepayment):** taxpayers who consistently owes at least $20,000 per month or more
  - Reports and balance of tax owed are due by the 20th of the following month
  - Prepayment due on the 20th of each month
    - Taxpayer may choose to pay:
      - 65 percent of the amount of tax owed the previous month
      - 65 percent of the amount of tax owed for the same month in the preceding year
      - 65 percent of the average monthly amount of tax owed in preceding calendar year

Online Filing and Payments

NCDOR

NORTH CAROLINA
DEPARTMENT
OF REVENUE

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Tax Information For:

Individuals | Businesses

HEADLINES

NCDOR Contacts Taxpayers About Recent Technical Disruption

Affected taxpayers should call the special help telephone number for more information. **full details**

Important Notice Published On Income Tax Adjustments For Code Section 179 Expenses

For tax years 2010 through 2013, North Carolina did not conform to the provisions of federal law in its entirety with respect to Code section 179 expensing. Adjustments

Reports and Sta
Tax Seminars
Identity Theft

Businesses

Note: Routine maintenance is performed on our website from 4:00 a.m. until 12:00 p.m. each Sunday. During this maintenance window, our web services are unavailable.

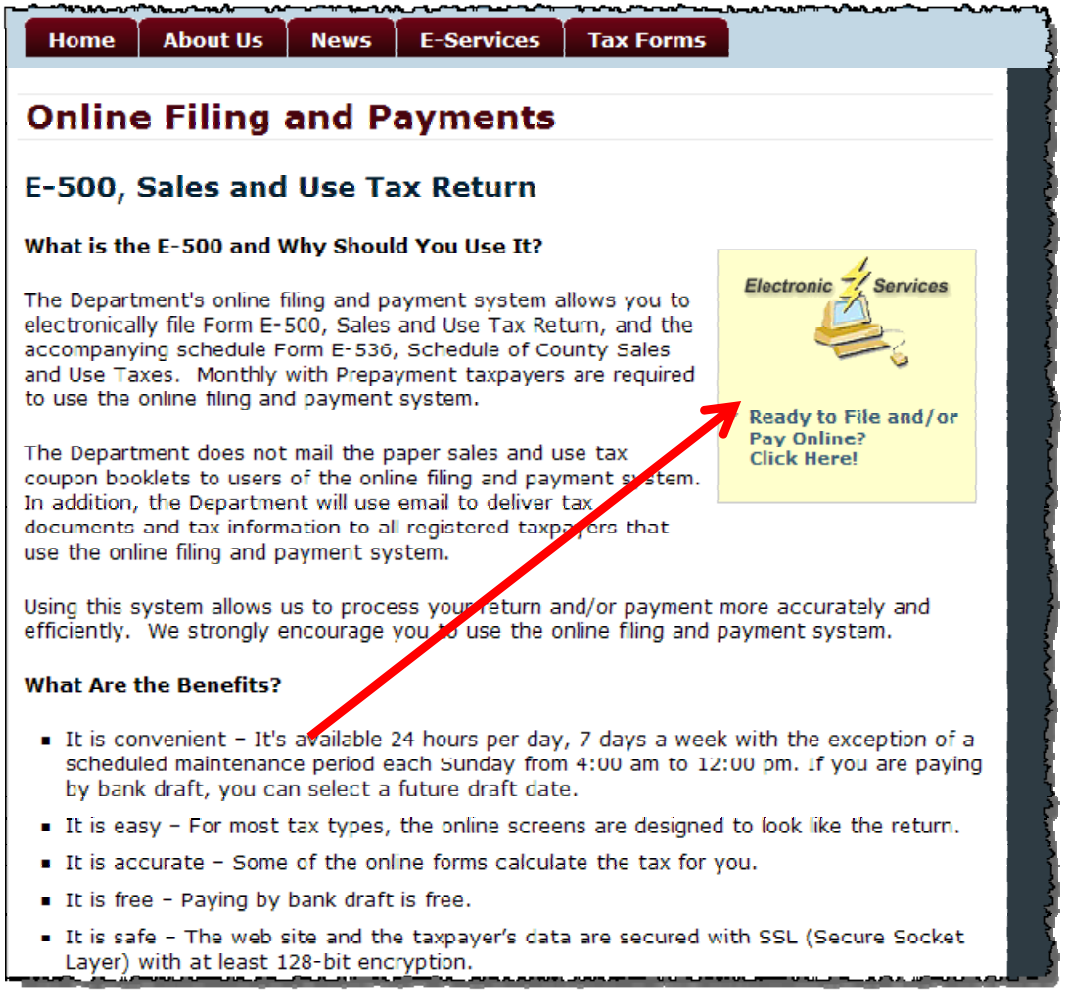
e-Business Center - New web service with features that make online filing of returns and/or payment of tax for the following more efficient and convenient:
Alcoholic Beverage Tax - Beer
Alcoholic Beverage Tax - Fortified Wine
Alcoholic Beverage Tax - Unfortified Wine
Alcoholic Beverage Tax - Spirituous Liquor
Cigarette Tax – Resident
Cigarette Tax – Nonresident
Corporate Estimated Tax (CD-429)
Machinery, Equipment and Fuel Tax
Other Tobacco Products Tax
Piped Natural Gas
Utility Franchise Tax - Electric
Utility Franchise - Water and Sewer
Utility and Liquor Sales and Use Tax
Withholding Tax (NC-5 and NC-5P)

E-500 Sales and Use E-File – File your E-500 tax return and the accompanying schedule E-536 and pay your tax electronically.

Sales and Use Electronic Data Interchange (EDI) – Access the Sales and Use EDI mapping, Developer Test Package, Developer Response Form, Form 592, and Approved Software Developers.

NC-5 and NC-5P Withholding E-File – File your NC-5 tax return or NC-5P and pay your tax electronically.

Online Filing and Payments



Home | About Us | News | E-Services | Tax Forms

Online Filing and Payments

E-500, Sales and Use Tax Return

What is the E-500 and Why Should You Use It?

The Department's online filing and payment system allows you to electronically file Form E-500, Sales and Use Tax Return, and the accompanying schedule Form E-536, Schedule of County Sales and Use Taxes. Monthly with Prepayment taxpayers are required to use the online filing and payment system.

Electronic Services

Ready to File and/or Pay Online? Click Here!

The Department does not mail the paper sales and use tax coupon booklets to users of the online filing and payment system. In addition, the Department will use email to deliver tax documents and tax information to all registered taxpayers that use the online filing and payment system.

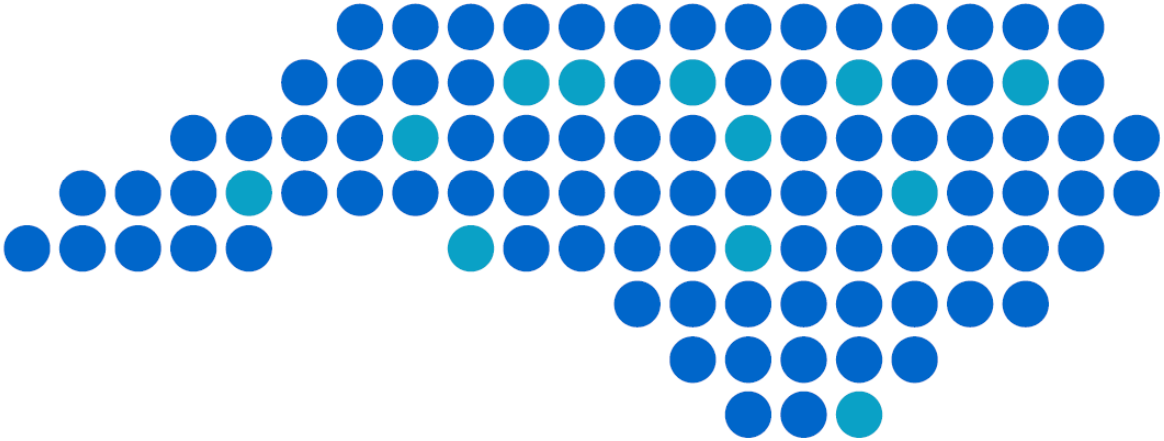
Using this system allows us to process your return and/or payment more accurately and efficiently. We strongly encourage you to use the online filing and payment system.

What Are the Benefits?

- It is convenient – It's available 24 hours per day, 7 days a week with the exception of a scheduled maintenance period each Sunday from 4:00 am to 12:00 pm. If you are paying by bank draft, you can select a future draft date.
- It is easy – For most tax types, the online screens are designed to look like the return.
- It is accurate – Some of the online forms calculate the tax for you.
- It is free – Paying by bank draft is free.
- It is safe – The web site and the taxpayer's data are secured with SSL (Secure Socket Layer) with at least 128-bit encryption.

http://www.dornc.com/electronic/salesanduse.html

Withholding Tax



Understanding Withholding

Tax obligations

What is Income Tax Withholding?

NCDOR

North Carolina General Statute 105-163.2

An employer shall deduct and withhold from the wages of each employee the State income taxes payable by the employee on the wages.

Definitions

- Employer
  - An employer is any person or business for whom an individual performs any service as an employee.
- Employee
  - Anyone who performs services for a person or business if the person or business can control what will be done and how it will be done. If the employer-employee relationship exists, calling it something else or signing a contract does not change the status.

Wages

NCDOR

G.S. 105-163.1(13)

The term wages generally has the same meaning for NC as it does in Section 3401 of the Internal Revenue Code, except that it does not include the amount an employer pays an employee for reimbursement of ordinary and necessary business expenses.

Withholding Allowance Certificate (Form NC-4)

NCDOR

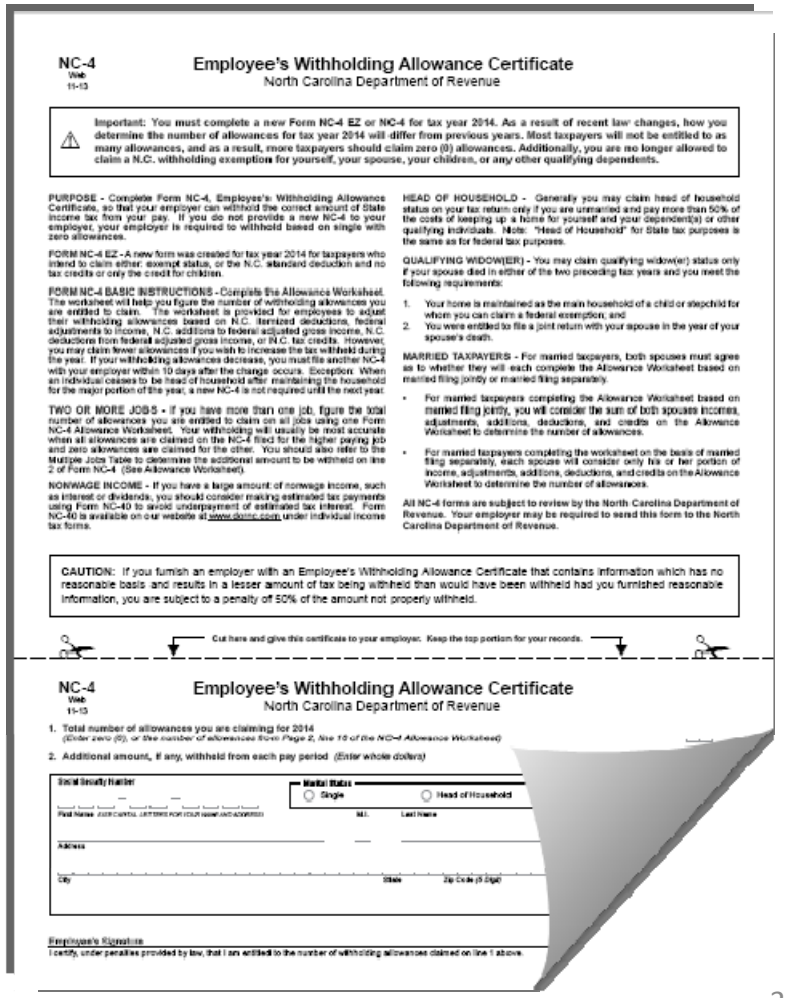
- An employee must furnish the employer with a signed North Carolina Employee's Withholding Allowance Certificate, Form NC-4 EZ or Form NC-4. The federal form W-4 cannot be used as a substitute. A nonresident alien must use form NC-4 NRA in lieu of Form NC-4 or Form NC-4 EZ.

- If the employee fails to furnish the certificate, the employer must withhold tax as if the employee is single with zero withholding allowances.

Form NC-4 (Employee's Withholding Allowance Certificate)

NCDOR

- Used by an employer to determine the proper amount of North Carolina state income tax withholding from an employee's pay.



NC-4
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11-13

Employee's Withholding Allowance Certificate
North Carolina Department of Revenue

Important: You must complete a new Form NC-4 EZ or NC-4 for tax year 2014. As a result of recent law changes, how you determine the number of allowances for tax year 2014 will differ from previous years. Most taxpayers will not be entitled to as many allowances, and as a result, more taxpayers should claim zero (0) allowances. Additionally, you are no longer allowed to claim a N.C. withholding exemption for yourself, your spouse, your children, or any other qualifying dependents.

PURPOSE - Complete Form NC-4, Employee's Withholding Allowance Certificate, so that your employer can withhold the correct amount of State income tax from your pay. If you do not provide a new NC-4 to your employer, your employer is required to withhold based on single with zero allowances.

FORM NC-4 EZ - A new form was created for tax year 2014 for taxpayers who intend to claim either: exempt status, or the N.C. standard deduction and no tax credits or only the credit for children.

FORM NC-4 BASIC INSTRUCTIONS - Complete the Allowance Worksheet. The worksheet will help you figure the number of withholding allowances you are entitled to claim. The worksheet is provided for employees to adjust their withholding allowances based on N.C. itemized deductions, federal adjustments to income, N.C. additions to federal adjusted gross income, N.C. deductions from federal adjusted gross income, or N.C. tax credits. However, you may claim fewer allowances if you wish to increase the tax withheld during the year. If your withholding allowances decrease, you must file another NC-4 with your employer within 10 days after the change occurs. Exception: When an individual ceases to be head of household after maintaining the household for the major portion of the year, a new NC-4 is not required until the next year.

TWO OR MORE JOBS - If you have more than one job, figure the total number of allowances you are entitled to claim on all jobs using one Form NC-4 Allowance Worksheet. Your withholding will usually be most accurate when all allowances are claimed on the NC-4 filed for the higher paying job and zero allowances are claimed for the other. You should also refer to the Multiple Jobs Table to determine the additional amount to be withheld on line 2 of Form NC-4 (See Allowance Worksheet).

NONWAGE INCOME - If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form NC-40 to avoid underpayment of estimated tax interest. Form NC-40 is available on our website at www.dornc.com under Individual Income tax forms.

HEAD OF HOUSEHOLD - Generally you may claim head of household status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. Note: "Head of Household" for State tax purposes is the same as for federal tax purposes.

QUALIFYING WIDOW(ER) - You may claim qualifying widow(er) status only if your spouse died in either of the two preceding tax years and you meet the following requirements:

1. Your home is maintained as the main household of a child or stepchild for whom you can claim a federal exemption; and
2. You were entitled to file a joint return with your spouse in the year of your spouse's death.

MARRIED TAXPAYERS - For married taxpayers, both spouses must agree as to whether they will each complete the Allowance Worksheet based on married filing jointly or married filing separately.

- For married taxpayers completing the Allowance Worksheet based on married filing jointly, you will consider the sum of both spouses incomes, adjustments, additions, deductions, and credits on the Allowance Worksheet to determine the number of allowances.
- For married taxpayers completing the worksheet on the basis of married filing separately, each spouse will consider only his or her portion of income, adjustments, additions, deductions, and credits on the Allowance Worksheet to determine the number of allowances.

All NC-4 forms are subject to review by the North Carolina Department of Revenue. Your employer may be required to send this form to the North Carolina Department of Revenue.

CAUTION: If you furnish an employer with an Employee's Withholding Allowance Certificate that contains information which has no reasonable basis and results in a lesser amount of tax being withheld than would have been withheld had you furnished reasonable information, you are subject to a penalty of 50% of the amount not properly withheld.

Cut here and give this certificate to your employer. Keep the top portion for your records.

NC-4
Web
11-13

Employee's Withholding Allowance Certificate
North Carolina Department of Revenue

1. Total number of allowances you are claiming for 2014
(Enter zero (0), or the number of allowances from Page 2, line 10 of the NC-4 Allowance Worksheet)
2. Additional amount, if any, withheld from each pay period (Enter whole dollars)

Social Security Number
Marital Status
Single
Head of Household
First Name (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)
M.I.
Last Name
Address
City
State
Zip Code (5 Digit)

Employee's Signature
I certify, under penalties provided by law, that I am entitled to the number of withholding allowances claimed on line 1 above.

NC-4 EZ or NC-4

NC-4 EZ
Web
10-13

Employee's Withholding Allowance Certificate

North Carolina Department of Revenue

Social Security Number ___ – ___ – ___

Marital Status ___ Single ___ Head of Household ___ Married or Qualifying Widow(er)

First Name (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS) M.I. Last Name

Address County (Enter first five letters)

City State Zip Code (5 digit) Country (if not U.S.)

Important: You must complete a new Form NC-4 EZ or NC-4 for tax year 2014. As a result of recent law changes, how you determine the number of allowances for tax year 2014 will differ from previous years. Most taxpayers will not be entitled to as many allowances, and as a result, more taxpayers should claim zero (0) allowances. Additionally, you are no longer allowed to claim a N.C. withholding exemption for yourself, your spouse, your children, or any other qualifying dependents.

FORM NC-4EZ: Please use this form if you:

- Plan to claim the N.C. standard deduction
- Plan to claim no tax credits or only the credit for children
- Prefer not to complete the extended Form NC-4
- Qualify to claim exempt status *(See line 3 or 4 below)*

You may complete Form NC-4, if you plan to claim N.C. itemized deductions, federal adjustments to income, or N.C. deductions.

If you do not plan to claim the credit for children, enter zero (0) on line 1. If you plan to claim the credit for children, use the table below for your filing status, amount of income, and number of children under age 17 to determine the number of allowances to enter on line 1. For married taxpayers, only 1 spouse may claim the allowance for the credit for each child.

Single & Married Filing Separately

Income	# of Children under age 17									
	1	2	3	4	5	6	7	8	9	10
	# of Allowances									
0-20,000	0	1	2	3	4	5	6	6	7	8
20,001-50,000	0	1	2	2	3	4	4	5	6	6

Married Filing Jointly & Qualifying Widow(er)

Income	# of Children under age 17									
	1	2	3	4	5	6	7	8	9	10
	# of Allowances									
0-40,000	0	1	2	3	4	5	6	6	7	8
40,001-100,000	0	1	2	2	3	4	4	5	6	6

Head of Household

Income	# of Children under age 17									
	1	2	3	4	5	6	7	8	9	10
	# of Allowances									
0-32,000	0	1	2	3	4	5	6	6	7	8
32,001-80,000	0	1	2	2	3	4	4	5	6	6

1. **Total number of allowances you are claiming for 2014** *(Enter zero (0), or the number of allowances from the table above)* ___
2. **Additional amount, if any, withheld from each pay period** *(Enter whole dollars)* ___.00
3. **I certify that I am exempt from North Carolina withholding because I meet both of the following conditions:**
   - Last year I was entitled to a refund of all State income tax withheld because I had no tax liability; and
   - For tax year 2014, I expect a refund of all State income tax withheld because I expect to have no tax liability

   Check Here ☐
4. **I certify that I am exempt from North Carolina withholding because I meet the requirements of the Military Spouses Residency Relief Act and I am legally domiciled in the state of** *(Enter state of domicile)* ___ Check Here ☐

   If line 3 or line 4 above applies to you, enter the effective year 20___
5. **I certify that I no longer meet the requirements for exemption on line 3 ☐ or line 4 ☐** *(Che*

   Therefore, I revoke my exemption and request that my employer withhold North Carolina Incor number of allowances entered on line 1 and any amount entered on line 2.

CAUTION: If you furnish an employer with an Employee's Withholding Allowance Certificate tha reasonable basis and results in a lesser amount of tax being withheld than would have been wit information, you are subject to a penalty of 50% of the amount not properly withheld.

Employee's Signature ___

I certify, under penalties provided by law, that I am entitled to the number of withholding or if claiming exemption from withholding, that I am entitled to claim the exempt status

NC-4
Web
11-13

Employee's Withholding Allowance Certificate

North Carolina Department of Revenue

Important: You must complete a new Form NC-4 EZ or NC-4 for tax year 2014. As a result of recent law changes, how you determine the number of allowances for tax year 2014 will differ from previous years. Most taxpayers will not be entitled to as many allowances, and as a result, more taxpayers should claim zero (0) allowances. Additionally, you are no longer allowed to claim a N.C. withholding exemption for yourself, your spouse, your children, or any other qualifying dependents.

PURPOSE - Complete Form NC-4, Employee's Withholding Allowance Certificate, so that your employer can withhold the correct amount of State income tax from your pay. If you do not provide a new NC-4 to your employer, your employer is required to withhold based on single with zero allowances.

FORM NC-4 EZ - A new form was created for tax year 2014 for taxpayers who intend to claim either exempt status, or the N.C. standard deduction and no tax credits or only the credit for children.

FORM NC-4 BASIC INSTRUCTIONS - Complete the Allowance Worksheet. The worksheet will help you figure the number of withholding allowances you are entitled to claim. The worksheet is provided for employees to adjust their withholding allowances based on N.C. itemized deductions, federal adjustments to income, N.C. additions to federal adjusted gross income, N.C. deductions from federal adjusted gross income, or N.C. tax credits. However, you may claim fewer allowances if you wish to increase the tax withheld during the year. If your withholding allowances decrease, you must file another NC-4 with your employer within 10 days after the change occurs. Exception: When an individual ceases to be head of household after maintaining the household for the major portion of the year, a new NC-4 is not required until the next year.

TWO OR MORE JOBS - If you have more than one job, figure the total number of allowances you are entitled to claim on all jobs using one Form NC-4 Allowance Worksheet. Your withholding will usually be most accurate when all allowances are claimed on the NC-4 filed for the higher paying job and zero allowances are claimed for the other. You should also refer to the Multiple Jobs Table to determine the additional amount to be withheld on line 2 of Form NC-4 (See Allowance Worksheet).

NONWAGE INCOME - If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form NC-40 to avoid underpayment of estimated tax interest. Form NC-40 is available on our website at www.dornc.com under Individual Income tax forms.

HEAD OF HOUSEHOLD - Generally you may claim head of household status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. Note: "Head of Household" for State tax purposes is the same as for federal tax purposes.

QUALIFYING WIDOW(ER) - You may claim qualifying widow(er) status only if your spouse died in either of the two preceding tax years and you meet the following requirements:

1. Your home is maintained as the main household of a child or stepchild for whom you can claim a federal exemption; and
2. You were entitled to file a joint return with your spouse in the year of your spouse's death.

MARRIED TAXPAYERS - For married taxpayers, both spouses must agree as to whether they will each complete the Allowance Worksheet based on married filing jointly or married filing separately.

- For married taxpayers completing the Allowance Worksheet based on married filing jointly, you will consider the sum of both spouses incomes, adjustments, additions, deductions, and credits on the Allowance Worksheet to determine the number of allowances.
- For married taxpayers completing the worksheet on the basis of married filing separately, each spouse will consider only his or her portion of income, adjustments, additions, deductions, and credits on the Allowance Worksheet to determine the number of allowances.

All NC-4 forms are subject to review by the North Carolina Department of Revenue. Your employer may be required to send this form to the North Carolina Department of Revenue.

CAUTION: If you furnish an employer with an Employee's Withholding Allowance Certificate that contains information which has no reasonable basis and results in a lesser amount of tax being withheld than would have been withheld had you furnished reasonable information, you are subject to a penalty of 50% of the amount not properly withheld.

Cut here and give this certificate to your employer. Keep the top portion for your records.

NC-4
Web
11-13

Employee's Withholding Allowance Certificate

North Carolina Department of Revenue

1. **Total number of allowances you are claiming for 2014** *(Enter zero (0), or the number of allowances from Page 2, line 10 of the NC-4 Allowance Worksheet)* ___
2. **Additional amount if any, withheld from each pay period** *(Enter whole dollars)*

Social Security Number ___ – ___ – ___

Marital Status ○ Single ○ Head of Household

First Name (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS) M.I. Last Name

Address

City State Zip Code (5 digit)

Employee's Signature

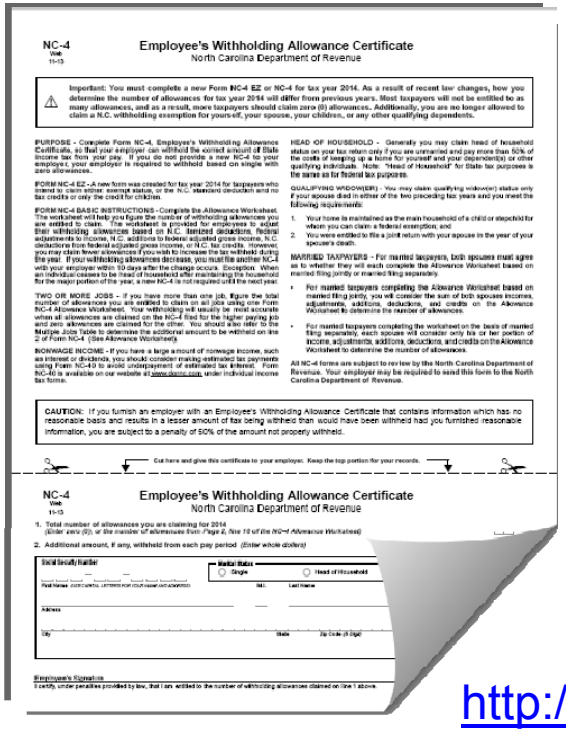
I certify, under penalties provided by law, that I am entitled to the number of withholding allowances claimed on line 1 above.

NC-4 EZ or NC-4

- Depending on your North Carolina deductions and North Carolina tax credits you may elect to use the NC-4 EZ.
  - Use form NC-4 EZ
    - If you plan to claim the N.C. standard deduction.
      - $15,000 for married filing jointly or qualifying widow(er)
      - $12,000 for head of household
      - $7,500 for single
      - $7,500 married filing separate
    - Plan to claim no tax credits or only the credit for children. Please refer to the NC-4 Part II Schedule 4 of Allowance Worksheet for more information.
    - Prefer not to complete the NC-4
    - Qualify to claim exempt status

NC-4 EZ or NC-4

- If the NC-4 EZ does not apply to your specific situation, you may need to fill out the NC-4 to determine your number of allowances.



NC-4
Web
11-13

Employee's Withholding Allowance Certificate
North Carolina Department of Revenue

Important: You must complete a new Form NC-4 EZ or NC-4 for tax year 2014. As a result of recent law changes, how you determine the number of allowances for tax year 2014 will differ from previous years. Most taxpayers will not be entitled to as many allowances, and as a result, more taxpayers should claim zero (0) allowances. Additionally, you are no longer allowed to claim a N.C. withholding exemption for yourself, your spouse, your children, or any other qualifying dependents.

PURPOSE - Complete Form NC-4, Employee's Withholding Allowance Certificate, so that your employer can withhold the correct amount of State income tax from your pay. If you do not provide a new NC-4 to your employer, your employer is required to withhold based on single with zero allowances.

FORM NC-4 EZ - A new form was created for tax year 2014 for taxpayers who intend to claim either exempt status, or the N.C. standard deduction and no tax credits or only the credit for children.

FORM NC-4 BASIC INSTRUCTIONS - Complete the Allowance Worksheet. The worksheet will help you figure the number of withholding allowances you are entitled to claim. The worksheet is provided for employees to adjust their withholding allowances based on N.C. itemized deductions, federal adjustments to income, N.C. additions to federal adjusted gross income, N.C. deductions from federal adjusted gross income, or N.C. tax credits. However, you may claim fewer allowances if you wish to increase the tax withheld during the year. If your withholding allowances decrease, you must file another NC-4 with your employer within 10 days after the change occurs. Exception: When an individual ceases to be head of household after maintaining the household for the major portion of the year, a new NC-4 is not required until the next year.

TWO OR MORE JOBS - If you have more than one job, figure the total number of allowances you are entitled to claim on all jobs using one Form NC-4 Allowance Worksheet. Your withholding will usually be most accurate when all allowances are claimed on the NC-4 filed for the higher paying job and zero allowances are claimed for the other. You should also refer to the Multiple Jobs Table to determine the additional amount to be withheld on line 2 of Form NC-4 (See Allowance Worksheet).

NONWAGE INCOME - If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form NC-40 to avoid underpayment of estimated tax interest. Form NC-40 is available on our website at www.dornc.com, under individual income tax forms.

HEAD OF HOUSEHOLD - Generally you may claim head of household status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. Note: "Head of Household" for State tax purposes is the same as for federal tax purposes.

QUALIFYING WIDOW(ER) - You may claim qualifying widow(er) status only if your spouse died in either of the two preceding tax years and you meet the following requirements:

1. Your home is maintained as the main household of a child or stepchild for whom you can claim a federal exemption; and
2. You were entitled to file a joint return with your spouse in the year of your spouse's death.

MARRIED TAXPAYERS - For married taxpayers, both spouses must agree as to whether they will each complete the Allowance Worksheet based on married filing jointly or married filing separately.

- For married taxpayers completing the Allowance Worksheet based on married filing jointly, you will consider the sum of both spouses incomes, adjustments, additions, deductions, and credits on the Allowance Worksheet to determine the number of allowances.
- For married taxpayers completing the worksheet on the basis of married filing separately, each spouse will consider only his or her portion of income, adjustments, additions, deductions, and credits on the Allowance Worksheet to determine the number of allowances.

All NC-4 forms are subject to review by the North Carolina Department of Revenue. Your employer may be required to send this form to the North Carolina Department of Revenue.

CAUTION: If you furnish an employer with an Employee's Withholding Allowance Certificate that contains information which has no reasonable basis and results in a lesser amount of tax being withheld than would have been withheld had you furnished reasonable information, you are subject to a penalty of 50% of the amount not properly withheld.

Cut here and give this certificate to your employer. Keep the top portion for your records.

NC-4
Web
11-13

Employee's Withholding Allowance Certificate
North Carolina Department of Revenue

1. Total number of allowances you are claiming for 2014
(Enter zero (0), or the number of allowances from Page 2, line 10 of the NC-4 Allowance Worksheet)
2. Additional amount, if any, withheld from each pay period *(Enter whole dollars)*

Social Security Number
Marital Status
Single
Head of Household
First Name
Last Name
Address
City
State
Zip Code (5 Digit)

Employee's Signature
I certify, under penalties provided by law, that I am entitled to the number of withholding allowances claimed on line 1 above.

Note: NC-4 EZ will suffice for most employees.

http://www.dornc.com/downloads/nc4ez.pdf

NC-4 NRA

- Since nonresident aliens generally are not eligible to take the standard deduction, they have to enter an additional amount of income tax to be withheld for each payment period on line 2 of Form NC-4 NRA.

Web
12-14

NC-4 NRA
Nonresident Alien Employee's Withholding Allowance Certificate

PURPOSE - Complete Form NC-4 NRA, Nonresident Alien Employee's Withholding Allowance Certificate, so that your employer can withhold the correct amount of State income tax from your pay. Regardless of your actual marital status, the State income tax to be withheld will be determined as if your filing status is single along with the number of allowances claimed on this form. If you do not provide a new NC-4 NRA to your employer before the first day of the first payroll period that ends on or after January 1, 2015, your employer is required to withhold as single with zero allowances.

GENERAL INSTRUCTIONS - Complete the **Allowance Worksheet** on page 2. The worksheet is provided for employees to adjust their withholding allowances based on charitable contributions, federal adjustments to income, N.C. additions to federal adjusted gross income, N.C. deductions from federal adjusted gross income, or N.C. tax credits. The worksheet will help you figure the number of withholding allowances you are entitled to claim. However, you may claim fewer allowances if you wish to increase the tax withheld during the year. If your withholding allowances decrease, you must file a new NC-4 NRA with your employer within 10 days after the change occurs.

WAGES EXEMPT FROM WITHHOLDING - Wages that are exempt from U.S. income tax under an income tax treaty are generally exempt from withholding. Residents of Canada and Mexico who enter or leave the United States at frequent intervals are not subject to withholding on their wages if these persons either: (1) perform duties in transportation service between the United States and Canada or Mexico, or (2) perform duties connected to the construction, maintenance, or operation of a water-way, viaduct, dam, or bridge crossed by, or crossing, the boundary between the United States and Canada or the boundary between the United States and Mexico. Nonresident aliens who are bona fide residents of the U.S. Virgin Islands are not subject to withholding of tax on income earned while temporarily employed in the United States.

TWO JOBS - If you have more than one job, figure the total number of allowances you are entitled to claim on all jobs using one Form NC-4 NRA. Your withholding will usually be most accurate when all allowances are claimed on the NC-4 NRA filed for the higher paying job and zero allowances are claimed for the other.

NONWAGE INCOME - If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form NC-40. Form NC-40 is available on our website at: www.dornc.com under individual income tax forms.

CAUTION: All NC-4 NRA forms are subject to review by the North Carolina Department of Revenue. Your employer may be required to send this form to the Department. If you furnish an employer with a Nonresident Alien Employee's Withholding Allowance Certificate that contains information which has no reasonable basis and results in a lesser amount of tax being withheld than would have been withheld had you furnished reasonable information, you are subject to a penalty of 50% of the amount not properly withheld.

Cut here and give this certificate to your employer. Keep the top portion for your records.

NC-4 NRA
Web
12-14

Nonresident Alien Employee's Withholding Allowance Certificate

1. **Total number of allowances you are claiming** *(Enter zero (0), or the number of allowances from Page 2, line 11 of the NC-4 NRA Allowance Worksheet)* ____
2. **Additional amount to withhold from each pay period, see chart on Page 2, Part II, Line 12** ____ .00
3. **Employee elected additional withholding** *(Enter whole dollars)* ____ .00
4. **Total additional withholding from each pay period.** *(Add Lines 2 and 3)* ____ .00

○ I certify that I am exempt from North Carolina withholding because I am a resident of Canada or Mexico and my duties are in transporation services.

Social Security Number

First Name *(USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)* M.I. Last Name

Address County *(Enter first five letters)*

City State Zip Code *(5 Digit)* Country *(If not U.S.)*

Employee's Signature Date

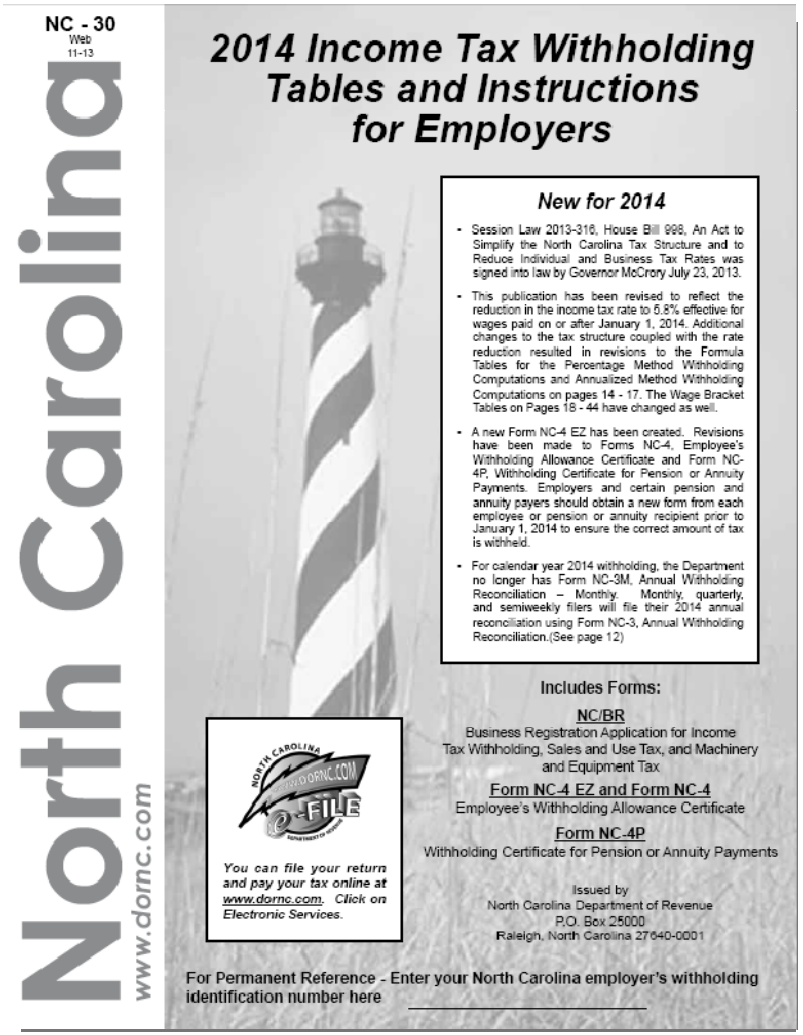
I certify under penalties provided by law, that I am entitled to the number of withholding allowances claimed above, or if claiming exemption from withholding, that I am entitled to claim the exempt status.

Methods of Computing NC Income Tax Withholding

NCDOR

- Wage Bracket Tables
- Percentage Method
- Annualized Wages Method
- There **IS NOT** an established "%" rate for computing withholding. Exceptions: 4% for personal services, 5.8% for supplemental wages, and 5.8% for lottery winnings.

Continued



NC - 30
Web
11-13

North Carolina

www.dornc.com

2014 Income Tax Withholding Tables and Instructions for Employers

New for 2014

- Session Law 2013-316, House Bill 998, An Act to Simplify the North Carolina Tax Structure and to Reduce Individual and Business Tax Rates was signed into law by Governor McCrory July 23, 2013.
- This publication has been revised to reflect the reduction in the income tax rate to 5.8% effective for wages paid on or after January 1, 2014. Additional changes to the tax structure coupled with the rate reduction resulted in revisions to the Formula Tables for the Percentage Method Withholding Computations and Annualized Method Withholding Computations on pages 14 - 17. The Wage Bracket Tables on Pages 18 - 44 have changed as well.
- A new Form NC-4 EZ has been created. Revisions have been made to Forms NC-4, Employee's Withholding Allowance Certificate and Form NC-4P, Withholding Certificate for Pension or Annuity Payments. Employers and certain pension and annuity payers should obtain a new form from each employee or pension or annuity recipient prior to January 1, 2014 to ensure the correct amount of tax is withheld.
- For calendar year 2014 withholding, the Department no longer has Form NC-3M, Annual Withholding Reconciliation – Monthly. Monthly, quarterly, and semiweekly filers will file their 2014 annual reconciliation using Form NC-3, Annual Withholding Reconciliation.(See page 12)

Includes Forms:

NC/BR
Business Registration Application for Income Tax Withholding, Sales and Use Tax, and Machinery and Equipment Tax

Form NC-4 EZ and Form NC-4
Employee's Withholding Allowance Certificate

Form NC-4P
Withholding Certificate for Pension or Annuity Payments

You can file your return and pay your tax online at www.dornc.com. Click on Electronic Services.

Issued by
North Carolina Department of Revenue
P.O. Box 25000
Raleigh, North Carolina 27640-0001

For Permanent Reference - Enter your North Carolina employer's withholding identification number here _____

- NC-30 provides
  - withholding amounts
  - detailed information on withholding requirements and filing and paying

Filing Frequencies & Due Dates

NCDOR

Frequency	Tax Withheld Per Month	Due Date
Quarterly(NC-5)	$0.00 - $249.99	Last day of the first month after the quarter ends
Monthly(NC-5)	$250.00 - $1,999.99	15th of the following month *Exception: December due date is January 31st of following year*
Semiweekly(NC-5P)	$2,000 or more	Same as Federal dates

Online Filing and Payments

NCDOR

NORTH CAROLINA
DEPARTMENT
OF REVENUE

Home | About Us | News | E-Services | Tax Forms | Search

Tax Information For:

Individuals | Businesses

HEADLINES

NCDOR Contacts Taxpayers About Recent Technical Disruption

Affected taxpayers should call the special help telephone number for more information. **full details**

Important Notice Published On Income Tax Adjustments For Code Section 179 Expenses

For tax years 2010 through 2013, North Carolina did not conform to the provisions of federal law in its entirety with respect to Code section 179 expensing. Adjustment

Businesses

Note: Routine maintenance is performed on our website from 4:00 a.m. until 12:00 p.m. each Sunday. During this maintenance window, our web services are unavailable.

e-Business Center - New web service with features that make online filing of returns and/or payment of tax for the following more efficient and convenient:

Alcoholic Beverage Tax - Beer
Alcoholic Beverage Tax - Fortified Wine
Alcoholic Beverage Tax - Unfortified Wine
Alcoholic Beverage Tax - Spirituous Liquor
Cigarette Tax – Resident
Cigarette Tax – Nonresident
Corporate Estimated Tax (CD-429)
Machinery, Equipment and Fuel Tax
Other Tobacco Products Tax
Piped Natural Gas
Utility Franchise Tax - Electric
Utility Franchise - Water and Sewer
Utility and Liquor Sales and Use Tax
Withholding Tax (NC-5 and NC-5P)

E-500 Sales and Use E-File – File your E-500 tax return and the accompanying schedule E-536 and pay your tax electronically.

Sales and Use Electronic Data Interchange (EDI) – Access the Sales and Use EDI mapping, Developer Test Package, Developer Response Form, Form 592, and Approved Software Developers.

NC-5 and NC-5P Withholding E-File – File your NC-5 tax return or NC-5P and pay your tax electronically.

Business Registration - Electronically register for an account ID number for Income Tax Withholding, Sales and Use Tax, and Machinery, Equipment, and Manufacturing Fuel Tax

Tax Seminars
Identity Theft

Online Filing and Payments

NCDOR

Online Filing and Payments

NC-5, Withholding Return
NC-5P, Withholding Payment Voucher

What are the NC-5 and NC-5P and Why Should You Use Them?

The Department's online filing and payment system allows you to electronically file Form NC-5, Withholding Return, and Form NC-5P, Withholding Payment Voucher. All withholding taxpayers, whether semi-weekly, monthly, or quarterly, can use this system to file a return and pay tax. Using this system allows us to process your return and/or payment more accurately and efficiently. We strongly encourage you to use the online filing and payment system.

What are the benefits?

- **It is convenient** - It's available 24 hours per day, 7 days a week with the exception of a scheduled maintenance period each Sunday from 4:00 a.m. to 12:00 p.m.. If you are paying by bank draft, you can select a future draft date.
- **It is easy** - For most tax types, the online screens are designed to look like the return.
- **It is accurate** - Some of the online forms calculate the tax for you.
- **It is free** - Paying by bank draft is free.

Sample Problem

- XYZ Enterprise will be filling out its NC-5 for the month of January. The business has one employee whose salary is $2,970.00 per month. The employee's filing status is married with 1 allowance. Please complete the form.

NC-30 Table

Single Persons, Married Persons, Qualifying Widow(er) - Monthly Payroll Period

If the wages are -		And the number of withholding allowances claimed is -								
At least	But less than	0	1	2	3	4	5	6	7	8
		The amount of income tax to be withheld is -								
2850	2870	130	118	105	93	81	69	57	45	33
2870	2890	131	119	107	95	82	70	58	46	34
2890	2910	132	120	108	96	84	72	59	47	35
2910	2930	133	121	109	97	85	73	61	49	36
2930	2950	134	122	110	98	86	74	62	50	38
2950	2970	135	123	111	99	87	75	63	51	39
2970	2990	137	125	112	100	88	76	64	52	40
2990	3010	138	126	114	102	89	77	65	53	41
3010	3030	139	127	115	103	91	78	66	54	42
3030	3050	140	128	116	104	92	80	68	55	43
3050	3070	141	129	117	105	93	81	69	57	45
3070	3090	142	130	118	106	94	82	70	58	46
3090	3110	144	131	119	107	95	83	71	59	47
3110	3130	145	133	121	108	96	84	72	60	48
3130	3150	146	134	122	110	98	85	73	61	49
3150	3170	147	135	123	111	99	87	75	62	50
3170	3190	148	136	124	112	100	88	76	64	52
3190	3210	149	137	125	113	101	89	77	65	53

Answer

Single Persons, Married Persons, Qualifying Widow(er) - Monthly Payroll Period

If the wages are -		And the number of withholding allowances claimed is -								
At least	But less than	0	1	2	3	4	5	6	7	8
		The amount of income tax to be withheld is -								
2850	2870	130	118	105	93	81	69	57	45	33
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2910	2930	133	121	109	97	85	73	61	49	36
2930	2950	134	122	110	98	86	74	62	50	38
2950	2970	135	123	111	99	87	75	63	51	39
2970	2990	137	125	112	100	88	76	64	52	40
2990	3010	138	126	114	102	89	77	65	53	41
3010	3030	139	127	115	103	91	78	66	54	42
3030	3050	140	128	116	104	92	80	68	55	43
3050	3070	141	129	117	105	93	81	69	57	45
3070	3090	142	130	118	106	94	82	70	58	46
3090	3110	144	131	119	107	95	83	71	59	47
3110	3130	145	133	121	108	96	84	72	60	48
3130	3150	146	134	122	110	98	85	73	61	49
3150	3170	147	135	123	111	99	87	75	62	50
3170	3190	148	136	124	112	100	88	76	64	52
3190	3210	149	137	125	113	101	89	77	65	53

Answer

NC-5 10-3-07
Web-Fill

Withholding Return
North Carolina Department of Revenue

This return must be filed even if no tax has been withheld.

Account ID	Period Ending	File By	Filing Frequency
000000001	01 31 14	02 15 14	MONTHLY

XYZ ENTERPRISE

123 FIRST STREET
RALEIGH NC 27640

1. Tax Withheld ▶	125.00
2. Penalty	.00
3. Interest	.00
4. Total Due $	125.00

Signature: **Date:**

I certify that, to the best of my knowledge, this return is accurate and complete.

Title: **Phone:** ( )

Mail to: NCDOR, PO Box 25000, Raleigh, NC 27640-0615

3040113011

01147 0000000019 0000000 06106

Annual Reconciliation Statement

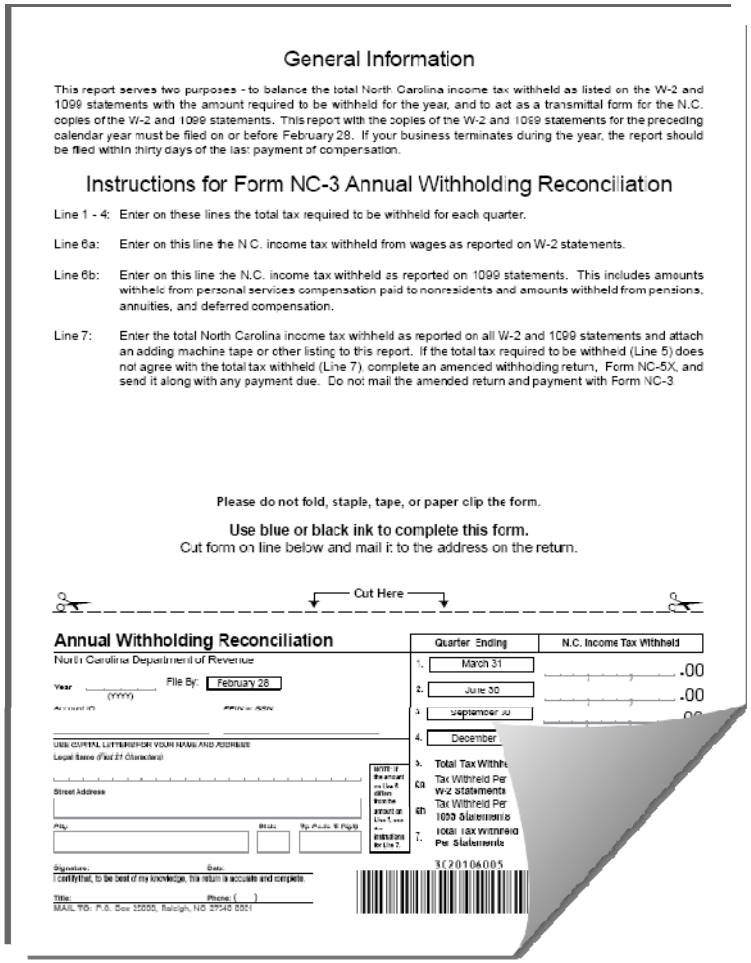
- Provide each employee a copy of the completed W-2 or 1099 statement by January 31.

- File the Annual Reconciliation Statement (NC-3) and the Department's copy of each W-2 and 1099 statement by February 28 with DOR.

Annual Withholding Reconciliation

NCDOR

NC-3



General Information

This report serves two purposes - to balance the total North Carolina income tax withheld as listed on the W-2 and 1099 statements with the amount required to be withheld for the year, and to act as a transmittal form for the N.C. copies of the W-2 and 1099 statements. This report with the copies of the W-2 and 1099 statements for the preceding calendar year must be filed on or before February 28. If your business terminates during the year, the report should be filed within thirty days of the last payment of compensation.

Instructions for Form NC-3 Annual Withholding Reconciliation

Line 1 - 4: Enter on these lines the total tax required to be withheld for each quarter.

Line 6a: Enter on this line the N.C. income tax withheld from wages as reported on W-2 statements.

Line 6b: Enter on this line the N.C. income tax withheld as reported on 1099 statements. This includes amounts withheld from personal services compensation paid to nonresidents and amounts withheld from pensions, annuities, and deferred compensation.

Line 7: Enter the total North Carolina income tax withheld as reported on all W-2 and 1099 statements and attach an adding machine tape or other listing to this report. If the total tax required to be withheld (Line 5) does not agree with the total tax withheld (Line 7), complete an amended withholding return, Form NC-5X, and send it along with any payment due. Do not mail the amended return and payment with Form NC-3.

Please do not fold, staple, tape, or paper clip the form.

Use blue or black ink to complete this form.
Cut form on line below and mail it to the address on the return.

Cut Here

Annual Withholding Reconciliation
North Carolina Department of Revenue

Year _____ (YYYY) File By: February 28

Account ID _____ FEIN or SSN _____

USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS
Legal Name (First 21 Characters)

Street Address

City | State | Zip Code & Zip Ext

Signature: Date:
I certify that, to be best of my knowledge, this return is accurate and complete.

Title: Phone: ( )
MAIL TO: P.O. Box 25000, Raleigh, NC 27640 0001

Quarter Ending	N.C. Income Tax Withheld
1. March 31	.00
2. June 30	.00
3. September 30	
4. December	
5. Total Tax Withh	
6a Tax Withheld Per W-2 statements	
6b Tax Withheld Per 1099 Statements	
7. Total Tax Withheld Per Statements	

3C20106005

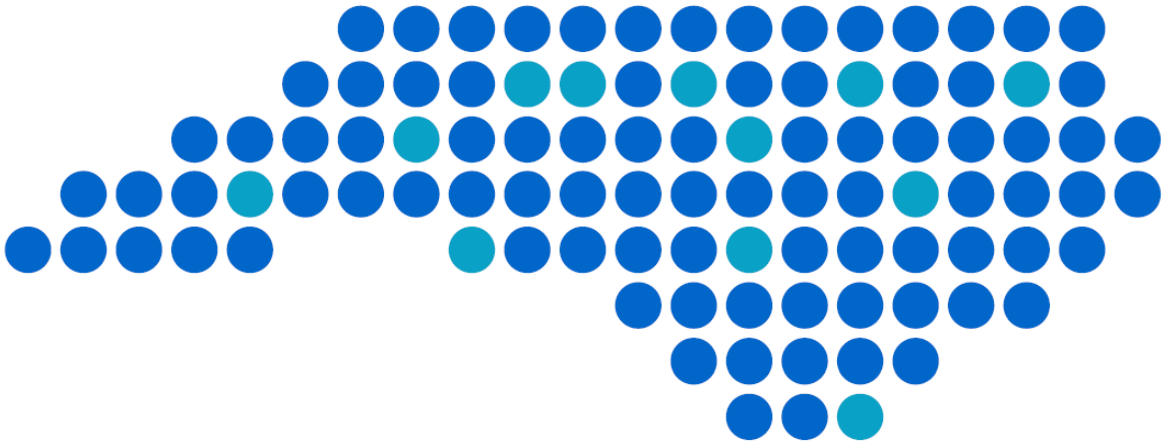
Methods of Filing W-2 and 1099

NCDOR

- CD-ROM, DP43 & DP40
- NC-57 Computer Printout
- Paper documents

- North Carolina DOES participate in the combined federal/state filing of 1099. However, the employer must get permission from the IRS.

Recordkeeping



Recommendations

General Recommendations for Sales and Use Tax

NCDOR

Keep records for three years

- All books and records (receipts, invoices, cancelled checks, etc.) to substantiate income and deductions claimed for any business.
- All records (receipts, invoices, cancelled checks, etc.) to substantiate itemized deductions.
- Any other information relevant to your Federal or State returns.
- A retailer's records must include records of the retailer's gross income, gross sales, net taxable sales and all items purchased for resale. Examples of documents containing this information include (this is not an inclusive list):
    - General Ledger
    - Sales Invoices
    - Purchase Invoices
    - Cash register tapes
    - Receipt books
    - COMPLETE Bank Statements
    - Canceled checks
    - Credit card statements
    - Account statements

General Recommendations for Withholding Tax

NCDOR

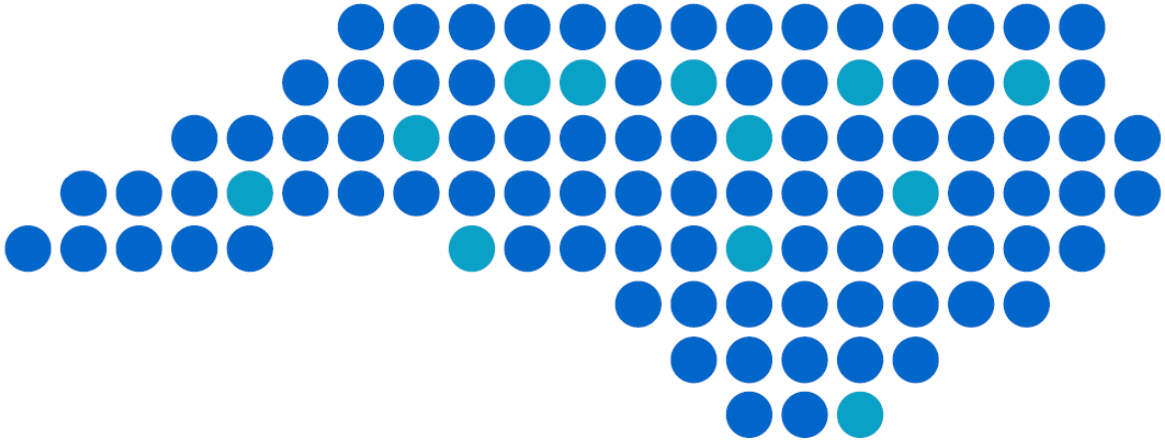
Records should be kept for at least seven years.

- Names
- Addresses
- Security numbers of employees or payees receiving payments
- Withholding allowance certificates
- Amounts and dates of wages and other payments and records of the amount withheld
- Copies or records of all reports or returns filed
- Records of all payments made to DOR.

Rule of Thumb

- Taxpayers must be able to substantiate all information on returns.
- Documentation should be maintained in an orderly manner in an effort to substantiate income, expenses, deductions and/or credits claimed on any returned filed with the Department.
- Documentation should be organized, summarized, and grouped in an easy to follow manner.

ABC Permit Compliance



Overview

NCDOR

- Beginning May 1, 2015, a person applying for or renewing an ABC permit will be subject to a tax compliance check with the North Carolina Department of Revenue (NCDOR).

- In order to pass the tax compliance check, applicants will be required to have:
  - Filed all applicable tax returns
  - Paid all tax due or entered into and meeting the terms of a payment agreement with NCDOR

http://www.dornc.com/abccompliance.html

How it works

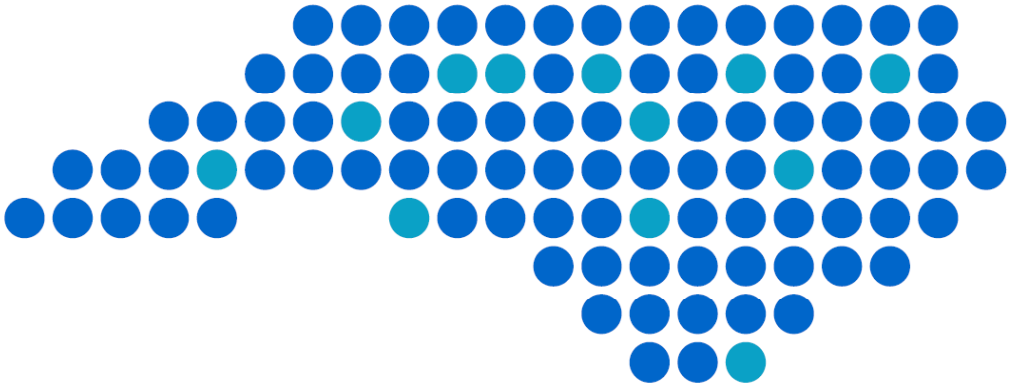
- ABC Commission will work directly with NCDOR to complete the tax compliance check.
- Applicants who do not pass the tax compliance check will be informed by the ABC Commission only that they have not passed.
  - Due to tax secrecy requirements, the ABC Commission will not be supplied with any taxpayer specific information, including the reason(s) for an applicant being declared non-compliant.

What if my business doesn't pass compliance?

- Applicants deemed non-compliant should contact their nearest NCDOR service center for more information on the matter and to initiate any required actions such as filing outstanding returns or paying taxes owed.

http://www.dornc.com/collect/service_center_map.pdf

Resources

NCDOR

- www.dornc.com
- YouTube
- Taxpayer Assistance and Collection Center:
- 1-877-252-3052
- Service Centers across the state
  - Asheville
  - Charlotte
  - Durham
  - Elizabeth City
  - Fayetteville
  - Greensboro
  - Greenville
  - Hickory
  - Raleigh
  - Wilmington
  - Winston-Salem