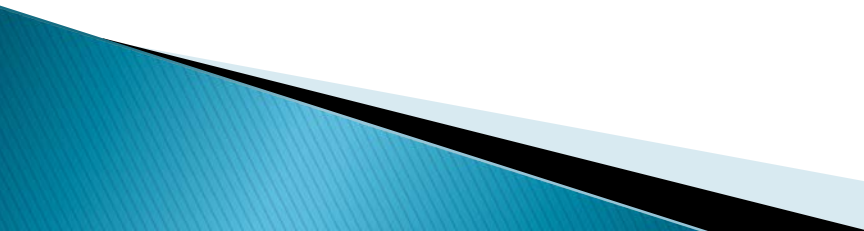


Tax Information for Small Businesses



Keys to Success

Disclaimer

- ✓ These seminars are for general information only.
 - ✓ They should not be interpreted as specific tax advice for your specific situation and may not be relied upon:
 - ⇒ There are some tax issues with easy answers
 - ⇒ There are many others that require more information from you before we can give you a full, accurate answer
 - ✓ During question and answer session, it may be recommended that you follow up with a Department of Revenue representative, or a representative from another agency.
 - ✓ Anyone using this presentation should be alert for changes which may result from legislative action, court decisions, Attorney General Opinions, or from rules adopted or amended under the Administrative Procedures Act, Chapter 150B of the General Statutes.
 - ✓ The information presented is applicable for the date the presentation was given.
- 

What type of business are you?



Different types of business entities

Individual and Corporate Income Tax

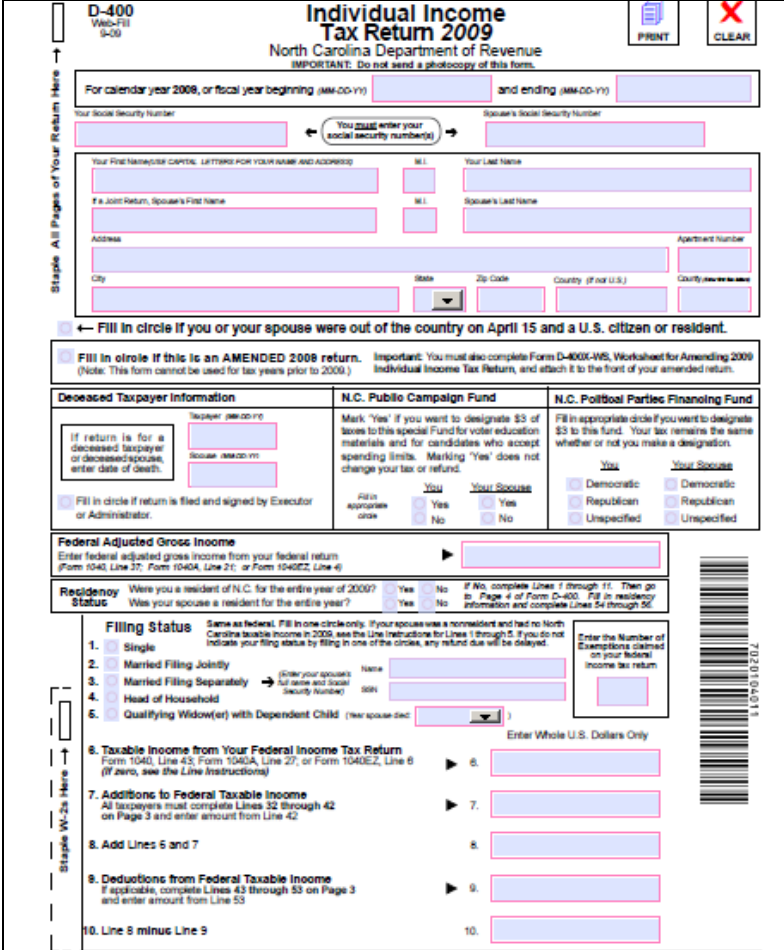
- ▶ All individuals that live or work in North Carolina with income above the minimum filing requirements are required to file a North Carolina Income Tax return

Individual and Corporate Income Tax

- **Proprietorship:**
 - a business that has no separation from its owner
- **Partnership:**
 - a business in which 2 or more people share in management and profits
- **C-Corporation:**
 - a business that has an identity completely separate from its owners and is taxed under Subchapter C of the Internal Revenue Code
- **S-Corporation:**
 - a business that has an identity completely separate from its owners and is taxed under Subchapter S of the Internal Revenue Code
- **Limited Liability Company:**
 - a business in which the owners are called “Members” and are protected from some or all liability of the company

Filing Individual Income Tax D-400

- ▶ Most N.C. residents with income are required to file an individual return
- ▶ Complete filing requirements are available at www.dornc.com
- ▶ Filing deadline is April 15



D-400
10-00

Individual Income Tax Return 2009
North Carolina Department of Revenue
IMPORTANT: Do not send a photocopy of this form.

For calendar year 2009, or fiscal year beginning (MM-DD-YY) and ending (MM-DD-YY)

Your Social Security Number: [] Spouse's Social Security Number: []
(You **must** enter your social security number(s))

Your First Name (PLEASE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS) M.I. Your Last Name
[] [] [] []
If a Joint Return, Spouse's First Name M.I. Spouse's Last Name
[] [] [] []
Address [] Apartment Number []
City [] State [] Zip Code [] County (if not U.S.) [] County (if not U.S.) []

← Fill in circle if you or your spouse were out of the country on April 15 and a U.S. citizen or resident.

Fill in circle if this is an AMENDED 2009 return. Important: You must also complete Form D-400X-W5, Worksheet for Amending 2009 Individual Income Tax Return, and attach it to the front of your amended return. (Note: This form cannot be used for tax years prior to 2009.)

Deceased Taxpayer Information	N.C. Public Campaign Fund	N.C. Political Parties Financing Fund
If return is for a deceased taxpayer or deceased spouse, enter date of death: [] <input type="checkbox"/> Fill in circle if return is filed and signed by Executor or Administrator.	Mark "Yes" if you want to designate \$3 of taxes to this special Fund for voter education materials and for candidates who accept spending limits. Marking "Yes" does not change your tax or refund. You: Yes [] No [] Your Spouse: Yes [] No [] All in appropriate circle	Fill in appropriate circle if you want to designate \$3 to this fund. Your tax remains the same whether or not you make a designation. Yes: Democratic [] Republican [] Unspecified [] Your Spouse: Democratic [] Republican [] Unspecified []

Federal Adjusted Gross Income
Enter federal adjusted gross income from your federal return (Form 1040, Line 37; Form 1040A, Line 21; or Form 1040EZ, Line 4) []

Residency Status Were you a resident of N.C. for the entire year of 2009? Yes [] No []
Was your spouse a resident for the entire year? Yes [] No []
If No, complete Lines 1 through 11. Then go to Page 4 of Form D-400. Fill in residency information and complete Lines 54 through 56.

Filing Status Same as federal. Fill in one circle only. If your spouse was a nonresident and had no North Carolina taxable income in 2009, see the Line Instructions for Lines 1 through 5. If you do not indicate your filing status by filing in one of the circles, any refund due will be delayed.
1. Single []
2. Married Filing Jointly []
3. Married Filing Separately (Enter your spouses' full name and Social Security Number) Name [] SSN []
4. Head of Household []
5. Qualifying Widow(er) with Dependent Child (See spouse's dec. []) []
Enter the Number of Exemptions claimed on your federal income tax return []

Enter Whole U.S. Dollars Only

8. Taxable Income from Your Federal Income Tax Return (Form 1040, Line 42; Form 1040A, Line 27, or Form 1040EZ, Line 6 (If zero, see the Line Instructions)) []


7. Additions to Federal Taxable Income All taxpayers must complete Lines 63 through 64 on Page 3 and enter amount from Line 42 []

8. Add Lines 6 and 7 []

9. Deductions from Federal Taxable Income If applicable, complete Lines 63 through 64 on Page 3 and enter amount from Line 53 []

10. Line 8 minus Line 9 []

Estimated Income Tax

- ▶ Must pay if you owe more than \$1,000 after withholding and credits
 - ▶ Four equal quarterly payments during the year
 - ▶ Candidates for estimated tax are:
 - Self-employed
 - Pension payment recipients
 - Anyone receiving payments from tax-deferred accounts
- 

Filing Estimated Individual Income Tax (NC-40)

Form
NC-40
Web
10-08

North Carolina Individual Estimated Income Tax

Instructions

This form is primarily for first time payers. You can use this form to make all of your estimated income tax payments for the year. Note: Instead of filing this form, you may pay your estimated tax online at www.dornc.com. Click on Electronic Services and select Individuals.

"Estimated Income Tax" is the amount of income tax you expect to owe for the year after subtracting the amount of tax you expect to have withheld and the amount of any tax credits you plan to claim.

Who Must Make Estimated Income Tax Payments

You should make estimated income tax payments if the tax due on your individual tax return, reduced by the amount of tax withheld and tax credits, will be \$1,000 or more.

You should estimate your income tax carefully to avoid having to pay a large balance when you file your income tax return (Form D-400) and to avoid owing interest for underpayment of estimated income tax (see discussion on Interest for Failure to Pay Your Estimated Income Tax). You may find it convenient to increase your withholding tax to avoid paying estimated income tax. If you choose to increase the amount withheld, you should make sure the balance due on your income tax return will be less than \$1,000.

When To Pay Your Estimated Income Tax

Generally you must make your first estimated income tax payment by April 15. You must either pay all of your estimated income tax at that time or pay in four equal amounts on or before April 15, June 15, September 15 and January 15 of the following year. When the due date for the estimated income tax payment falls on a Saturday, Sunday or holiday, the payment is due on or before the next business day.

Although a payment of estimated income tax may not be due on April 15 based on your situation at that time, your expected income or exemptions may change so that a payment is due at a later date. In such cases, the payment dates are as follows:

If payment is not after: **Payment date is:**
-April 1 and before June 1 June 15
-June 1 and before September 1 September 15
-September 1 January 15

If the first estimated income tax payment you are required to make is due after April 15, or if you are required to change your payments after paying the first installment, you should pay the remaining installments as follows:

If the installment is due:
June 15: pay 1/2 of the balance of the net estimated income tax

with time, 1/4 of the balance on September 15 and the remaining 1/4 on January 15.

September 15: pay 3/4 of the balance of the net estimated income tax at that time and the remaining 1/4 on January 15.

Farmers and Fishermen

If at least two-thirds of your estimated gross income is from farming (including aquaculture) or commercial fishing, your estimated income tax may be paid at any time on or before January 15 of the following year. If your income tax return (Form D-400) is filed and the total tax is paid on or before March 1, you do not have to make an estimated income tax payment.

Fiscal Year

If your income is reported on a fiscal year basis, your due dates are the 15th day of the 4th, 5th and 6th months of your fiscal year, and the first month of the following fiscal year. For more information on how to complete the Form NC-40 when paying your estimated income tax on a fiscal year basis, please refer to the instructions on Completing the Estimated Income Tax Form (NC-40) on this page.

Interest for Failure to Pay Your Estimated Income Tax

You may owe interest for underpayment of estimated income tax or for not making payments on time. Interest will not be due if each installment payment is timely and equals twenty-five percent (25%) of the lesser of: (a) 90% (95.25% for farmers and fishermen) of the tax due on your current year's return; (b) 100% of the tax due on your previous year's return, if your previous year's return was a taxable year of 12 months and a return was filed for that year; or (c) 90% of the tax figured by annualizing the taxable income received during the year up to the month in which the installment is due.

Underpayment interest will not be due if you had no tax liability for the previous year.

Compute underpayment interest on Form D-422, Underpayment of Estimated Tax by Individuals. You may obtain the form by writing the N.C.

Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0001, by calling the Department at 1-877-248-2020 (toll-free), or from the Department's website at www.dornc.com.

Completing the Estimated Income Tax Form (NC-40)

The instructions that follow will help you complete the form correctly.

(1) First complete the worksheet on Page 2 to determine your estimated income tax for the year.

(2) Enter your name, address, and social security number in the space provided on the form. If you intend to file a joint income tax return, please enter your name and social security number and your spouse's name and social security number on the form. Enter in the applicable box the year for which the payment is intended. Fiscal year taxpayers enter the beginning and ending dates of the fiscal year in the boxes provided.

(3) Enter one-fourth (1/4) of the amount shown on Line 9 of the worksheet in the space marked "Amount of this Payment" on the NC-40 form. (EXCEPTION: If you paid too much tax on your income tax return (Form D-400) for the previous year, you may have chosen to apply the overpayment to your estimated income tax for the following year. If so, you may apply all or part of the overpayment to any estimated income tax installment. Send Form NC-40 *with* when you are making a payment.)

(4) Detach the form at the perforation.

(5) Make your check or money order payable to the N.C. Department of Revenue. Pay in U.S. currency only. Please do not send cash.

(6) Enter your social security number on your check or money order.

(7) Mail the completed estimated income tax form (NC-40) with your payment to: N.C. Department of Revenue, Post Office Box 25000, Raleigh, North Carolina 27640-0030.

(8) To insure proper credit, please do not fold the form or the payment. Do not staple, tape, or otherwise attach your payment to the form.

Continued on page 2

Page 2
NC-40 (08)
Web
10-08

Worksheet for Computation of Estimated N.C. Income Tax

1. Estimated Federal Taxable Income	1.	.....
2. Estimated Additions to Federal Taxable Income - including, but not limited to, interest income from obligations of states other than N.C., state and local tax deduction, standard deduction and personal exemption adjustments. (See Individual Income Tax Instructions for Form D-400.)	2.	.....
3. Add Lines 1 and 2 and enter the total.	3.	.....
4. Estimated Deductions from Federal Taxable Income - including, but not limited to, interest income from obligations of the U.S. or its possessions, public or private retirement pay exclusions, taxable amount of social security and railroad retirement benefits, state tax refund if included in federal income (See Individual Income Tax Instructions for Form D-400.)	4.	.....
5. Estimated North Carolina Taxable Income (Line 3 minus Line 4)	5.	.....
6. Amount of Tax - Use the tax rates shown below.	6.	.....
7. A. Estimated N.C. Tax to be withheld	A.	.....
B. Estimated Tax Credits	B.	.....
8. Add lines 7A and 7B	8.	.....
9. Estimated Income Tax (Line 6 minus Line 8) If \$1,000 or more, fill out and mail the estimated income tax form along with your payment; if less than \$1,000, no payment is required at this time	9.	.....
10. If the first payment you are required to make is due April 15th, enter 1/4 of Line 9 here and in the space marked * Amount of this Payment* on Form NC-40. Round off cents to the nearest whole dollar.	10.	.....

Tax Rates

Single	Head of Household
\$ 0 \$ 12,750 6%	\$ 0 \$ 17,000 6%
12,750 60,000 7%	17,000 80,000 7%
60,000 4,072.50 + 7.75% of the amount over \$60,000	80,000 1,020 + 7% of the amount over \$17,000
	\$ 5,430 + 7.75% of the amount over \$60,000
Married Filing Jointly / Qualifying Widow(er)	Married Filing Separately
\$ 0 \$ 21,250 6%	\$ 0 \$ 10,625 6%
21,250 100,000 7%	10,625 50,000 7%
100,000 8,767.50 + 7.75% of the amount over \$100,000	50,000 3,393.75 + 7.75% of the amount over \$50,000

Filing Partnerships (D-403)

- ▶ Partnerships required to file a D-403 Partnership Income Tax Return
- ▶ Deadline:
 - April 15 for calendar year
 - The 15th day of the fourth month after the end of the fiscal year
- ▶ Each partner receives a K-1 form listing income, tax credits, adjustments, etc.

D-403
Web
9-00

**2009 Partnership
Income Tax Return**
North Carolina Department of Revenue

For calendar year 2009, or fiscal year beginning (MM-DD) _____ and ending (MM-DD-YY) _____

Legal Name (USE CAPITAL LETTERS FOR NAME AND ADDRESS) _____ Federal Employer ID Number _____
Fill in all applicable circles:
 Initial Return
 Amended Return
 Final Return
 Entity is Partnership
 Entity is LLC
 Entity has Nonresident Owners
 Entity has Exemptable Property
 NC-478 is attached

Legal Name Continued _____ F (LLC) (Enter N.C. Secretary of State ID) _____
 Address _____ Apartment Number _____
 City _____ State _____ Zip Code _____ County (Use the full name) _____

Important If partnership operated only in North Carolina and all partners were North Carolina residents, complete only Lines 4 and 5, Part 1 (and Lines 19 or 18 if any payments were made), Part 3A, and Part 4.

Part 1. Computation of Income Tax Due or Refund (See Form D-403A, Instructions for Partnership Income Tax Return.)

1. Enter the total income or loss (Add Lines 1 through 11 of Schedule K, Federal Form 1065)	1. <input type="radio"/> _____	.00
2. Guaranteed payments to partners (See Instructions)	2. <input type="radio"/> _____	.00
3. Line 1 minus Line 2	3. <input type="radio"/> _____	.00
4. Additions to federal taxable income (From Part 4, Line 5)	4. <input type="radio"/> _____	.00
6. Add Lines 3 and 4	5. <input type="radio"/> _____	.00
8. Deductions from federal taxable income (From Part 4, Line 11). The total additions and deductions on Lines 4 and 5 should be allocated to the individual partners in Part 3 of this form.	6. <input type="radio"/> _____	.00
7. Line 5 minus Line 6	7. <input type="radio"/> _____	.00
8. Net distributive partnership income to be apportioned to North Carolina (See Instructions)	8. <input type="radio"/> _____	.00
9. Net distributive partnership income solely from business activities in North Carolina (See Instructions)	9. <input type="radio"/> _____	.00
10. a. Tax due for nonresident partners (Add the amounts on Part 3, Line 10a for each partner)	10a. <input type="radio"/> _____	.00
b. Surtax due for nonresident partners (Add the amounts on Part 3, Line 10b for each partner)	10b. <input type="radio"/> _____	.00
11. Tax Credits allocated to nonresident partners (Add the amounts on Part 3, Line 10 for each partner)	11. <input type="radio"/> _____	.00
12. Net tax due for nonresident partners (Add the amounts on Part 3, Line 20 for each partner)	12. <input type="radio"/> _____	.00
13. Tax paid with extension	13. <input type="radio"/> _____	.00
14. Other prepayments of tax (If filing an amended return, see Instructions)	14. <input type="radio"/> _____	.00
15. Tax paid by other partnerships or by S Corporations and tax withheld from personal services income (See Instructions)	15. <input type="radio"/> _____	.00
16. Add Lines 13 through 15	16. <input type="radio"/> _____	.00
17. Total tax due for nonresident partners (If Line 12 is more than Line 16, subtract and enter the result)	17. <input type="radio"/> _____	.00
18. Penalties and interest (See Instructions)	18. <input type="radio"/> _____	.00
19. Total Due for nonresident partners (Add Lines 17 and 18 and enter the result. The manager of the partnership must pay this amount with the return)	19. <input type="radio"/> _____	.00
20. Amount to be Refunded (If Line 12 is less than Line 16, subtract and enter the result)	20. <input type="radio"/> _____	.00

Filing C-Corporations (CD-405)

- File CD-405 return annually to pay franchise and income tax
- File CD-479 (annual report)
- Must file by April 15 (if on the calendar year)
- Franchise and income tax due by 15th day of fourth month after year end (if on fiscal year)
- Franchise tax rate: \$1.50 per \$1,000 of either capital stock, surplus, and undivided profits; investment in NC tangible property; or appraised value of NC tangible property
- Annual report fee is \$25 for corporations that file a paper copy with the Department of Revenue and \$18 for taxpayers that file the report online with the Secretary of State
- Annual report may be filed on paper with NCDOR and electronically with the Secretary of State

CD-405
Year 9-00

C Corporation Tax Return 2009
North Carolina Department of Revenue

For calendar year 2009, or other tax year beginning 09 and ending 09

Legal Name (Print or Overwrite) (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)

Address

City State Zip Code

Fill in all applicable circles: Initial Filer NC-479 is attached Captive REIT Federal Employer ID Number
 Fed Schedule M-1 is attached Final Return CD-479 is attached Foreign Corp (See instructions)
 Has Exemptable Property Nonprofit/Tax Exempt LLC Treated as Corp Gross Receipts / Sales
 In this corporation related to another corporation as: Parent Subsidiary AIR/SAFE Total Assets per Balance Sheet

1. Capital Stock, Surplus, and Undivided Profits (From Schedule C, Line 12) Holding Company (See instructions) 1. _____ .00

2. Investment in N.C. Tangible Property (From Schedule D, Line 6) 2. _____ .00

3. Appraised Value of N.C. Tangible Property (From Schedule E, Line 2) 3. _____ .00

4. Taxable Amount Line 1, 2, or 3, whichever is greatest 4. _____ .00

5. Total Franchise Tax Due Multiply Line 4 by .0015 (\$1.50 per \$1,000) - minimum \$35.00 5. _____ .00

6. Payment with Application for Franchise Tax Extension (From Form CD-479, Line 9) 6. _____ .00

7. Tax Credits (From Forms CD-425, Part 2, Line 12) If a tax credit is claimed on Line 7, Form CD-425 MUST be attached. 7. _____ .00

8. Franchise Tax Due - If the sum of Line 6 plus 7 is less than Line 5, enter difference here and on Page 2, Line 35 8. \$ _____ .00

9. Franchise Tax Overpaid - If the sum of Line 6 plus 7 is more than Line 5, enter difference here and on Page 2, Line 35 9. _____ .00

10. Federal Taxable Income Before NOL (From Schedule G, Line 30 or Federal Form 1120, Line 28 minus 29) If amount on Line 10-12, 14-16, or 18-20 is negative, fill in circle. Example: 10. _____ .00

11. Adjustments to Federal Taxable Income (From Schedule F, Line 5) 11. _____ .00

12. Net Income Before Contributions Add (or subtract) Lines 10 and 11 12. _____ .00

13. Contributions to Donees, Outside N.C. (From Schedule I, Line 10) 13. _____ .00

14. N.C. Taxable Income Line 12 minus Line 13 14. _____ .00

15. Nonapportionable Income (From Schedule A, Line 7) 15. _____ .00

16. Apportionable Income Line 14 minus Line 15 16. _____ .00

17. Apportionment Factor - Enter to four decimal places (From Schedule C, Part 1, Part 2 - Line 15, Part 3, or Part 4) Multiply Line 16 by factor on Line 17 17. _____ %

18. Income Apportioned to N.C. (From Schedule A, Line 2) 18. _____ .00

19. Nonapportionable Income Allocated to N.C. 19. _____ .00

20. Income Subject to N.C. Tax Add Lines 18 and 19 20. _____ .00

21. Percentage Depletion over Cost Depletion on N.C. Property (See instructions) 21. _____ .00

Substit Form in the following order: CD-4, NC-479U, CD-479, NC-479, NC-479 series, CD-405, followed by CD-405 (Schedule B continued on Page 2)

Filing S-Corporations (CD-401S)

- ▶ File CD-401S return annually to pay franchise and income tax
- ▶ File CD-479 (annual report)
- ▶ Franchise and income tax due by April 15 (if on the calendar year)
- ▶ Franchise tax rate: \$1.50 per \$1,000 of capital stock, surplus and undivided profits
- ▶ Annual report fee is \$25 for corporations that file a paper copy with the Department of Revenue and \$18 for taxpayers that file the report online with the Secretary of State

CD-401S
Web 6-03

S Corporation Tax Return 2009
North Carolina Department of Revenue

For calendar year 2009, or other tax year beginning 2009 and ending 2009

Legal Name FOR DISCOUNTS/SALES CAPITAL LETTERS FOR FOUR NAME AND ADDRESS Federal Employer ID Number _____

Address _____ Secretary of State ID / NAICS Code _____

City _____ State _____ Zip Code _____ Gross Receipts / Sales _____

Total Assets per Balance Sheet _____

Fill in all applicable circles:

Limited Liability Company NC-479 is attached Initial Filer Fill in circle if Amended Return

Has Exemptable Property CD-479 is attached Final Return

Fed Schedule M-3 is attached Parent QSSS Sub QSSS

A Computation of Franchise Tax

1. Capital Stock, Surplus, and Undivided Profits (From Schedule C, Line 13) _____

2. Investment in N.C. Tangible Property (From Schedule C, Line 8) _____

3. Appraised Value of N.C. Tangible Property (From Schedule E, Line 2) _____

4. Taxable Amount Line 1, 2, or 3, whichever is greatest _____

5. Total Franchise Tax Due Multiply Line 4 by .0015 (\$1.50 per \$1,000.00 - minimum \$35.00) _____

6. Payment with Application for Franchise Tax Extension (From Form CD-479, Line 9) _____

7. Tax Credits (From Form CD-425, Part 2, Line 12) _____

8. Franchise Tax Due - If the sum of Line 6 plus 7 is less than Line 5, enter difference here and on Page 2, Line 30 _____

9. Franchise Tax Overpaid - If the sum of Line 6 plus 7 is more than Line 5, enter difference here and on Page 2, Line 30 _____

B Computation of Corporate Income Tax

10. Shareholders' Shares of Corporation Income (Loss) (From Schedule K, Line 11 or Federal Schedule K, Lines 1-10) _____

11. Adjustments to Corporation Income (Loss) (From Schedule K, Line 5) _____

12. N.C. Taxable Income Add (or subtract) Lines 10 and 11 _____

13. Nonapportionable Income (From Schedule K, Line 1) _____

14. Apportionable Income Line 12 minus Line 13 _____

15. Apportionment Factor - Enter to four decimal places (From Schedule C, Part 1, Line 15; Part 3, or Part 4) _____ %

16. Income Apportioned to N.C. Multiply Line 14 by factor on Line 15 _____

17. Nonapportionable Income Allocated to N.C. (From Schedule K, Line 2) _____

18. Total Net Taxable Income - Add Lines 16 and 17 _____

19. Amount of Line 18 Attributable to Nonresidents Filing Composite _____

20. Separately Stated Items of Income Attributable to Nonresidents Filing Composite (See instructions) _____

Submit forms in the following order: CD-479, NC-479A, CD-479, NC-479, NC-479 series, CD-401S, followed by CD-425 (Schedule B continued on Page 2)

Business Registration



How to register

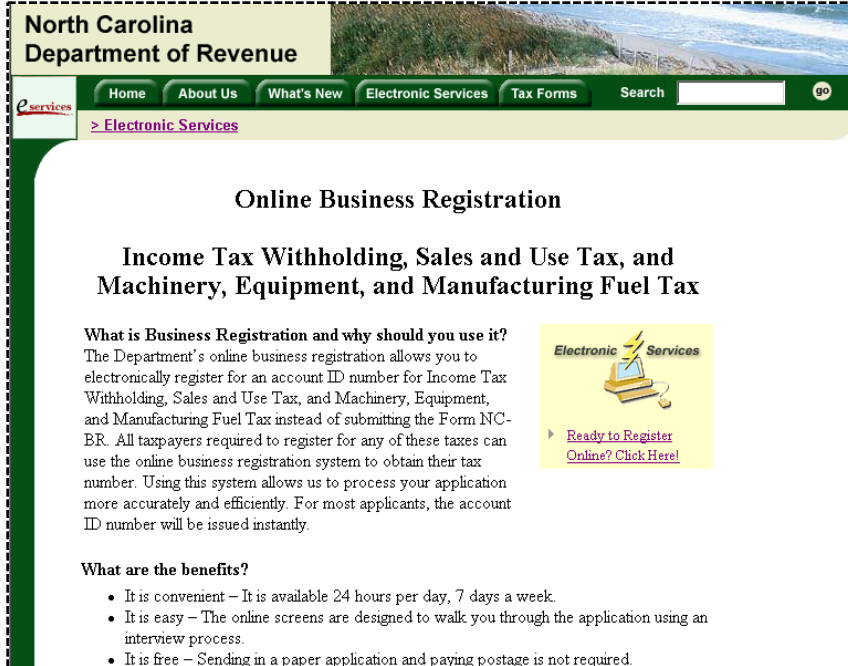
How to Register

- Use Form NC-BR
- You may:
 - Register Online
 - Found at Dornc.com under the electronic services tab
 - Use Personalized Form
 - Entering information online then printing out a form with your information
 - Paper Form
 - Order Online
 - Pick up from one of our service centers

How to Register, continued

On Line

Benefits



The screenshot shows the North Carolina Department of Revenue website. The header includes the department name and a navigation menu with links for Home, About Us, What's New, Electronic Services, Tax Forms, and a search bar. The main content area is titled "Online Business Registration" and focuses on "Income Tax Withholding, Sales and Use Tax, and Machinery, Equipment, and Manufacturing Fuel Tax". It provides a detailed explanation of the online registration process and lists several benefits.

North Carolina Department of Revenue


Home About Us What's New Electronic Services Tax Forms Search go

> [Electronic Services](#)

Online Business Registration

Income Tax Withholding, Sales and Use Tax, and Machinery, Equipment, and Manufacturing Fuel Tax

What is Business Registration and why should you use it?
The Department's online business registration allows you to electronically register for an account ID number for Income Tax Withholding, Sales and Use Tax, and Machinery, Equipment, and Manufacturing Fuel Tax instead of submitting the Form NC-BR. All taxpayers required to register for any of these taxes can use the online business registration system to obtain their tax number. Using this system allows us to process your application more accurately and efficiently. For most applicants, the account ID number will be issued instantly.



▶ [Ready to Register Online? Click Here!](#)

What are the benefits?

- It is convenient – It is available 24 hours per day, 7 days a week.
- It is easy – The online screens are designed to walk you through the application using an interview process.
- It is free – Sending in a paper application and paying postage is not required.

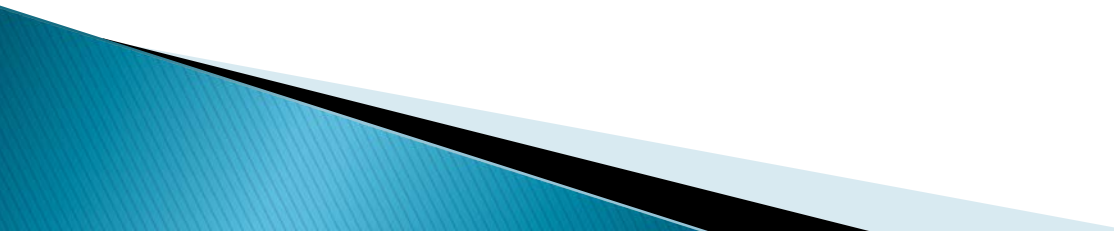
- Free
- Easy step-by-step instructions
- Account number in minutes

Sales and Use Tax



Understanding Sales and Use
Tax obligations

Sales and Use Tax

- ▶ Every person engaged in business in North Carolina is required to collect and pay sales tax on the retail sale, rental or lease of tangible personal property, unless specifically exempt from tax by statute.
 - ▶ Some services also taxable
- 

Filing Frequencies

- ▶ **Quarterly:**
 - **Owe less than \$100 per month**
 - Reports due by the last day of the first month after the quarter (April, July, October, January)
- ▶ **Monthly:**
 - **Owe \$100 – \$19,999 per month**
 - Reports due by the 20th of the following month
- ▶ **Monthly (with Prepayment):**
 - **Owe at least \$20,000 per month (\$20,000 or more)**
 - Reports and balance of tax owed are due by the 20th of the following month

Tax Rates

▶ **General state rate: 4.75 %**

- Sales of tangible personal property
- 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 G.S. 105-164.4(a) if sold in a tangible medium.

Tax Rates

County rates as of April 1, 2013:

2% - 74 counties

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

2.5% - Mecklenburg County (Includes the 0.5% local sales and use tax for public transportation)

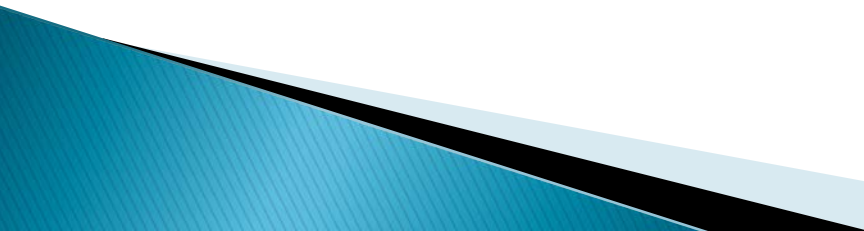
2.75% - Durham, Orange (2.25% county and the 0.5% local sales and use tax for public transportation)

Sourcing Principles

For purposes of sourcing, the terms “receive” and “receipt” mean “taking possession of tangible personal property” or “making first use of services.”



- ▶ Over-the-counter. When a purchaser receives a product at a business location of the seller, the sale is sourced to that business location.

 - ▶ Delivery to a specified address. When a purchaser receives a product at a location specified by the purchaser and the location is not a business location of the seller, the sale is sourced to the location where the purchaser receives the product.
 - Delivery address unknown. When the seller does not know the address where a product is received, the sale is sourced to the first address or location listed below that is known to the seller:
 - a. The business or home address of the purchaser.
 - b. The billing address of the purchaser or, if the product is prepaid wireless calling service, the location associated with the mobile telephone number.
 - c. The address from
- 

Use Tax

- Use taxes are due from any business that purchases tangible personal property and **does not pay sales tax**
 - For example, you buy a computer from a vendor in Virginia and that computer is delivered to your home. The vendor doesn't have to charge N.C. sales tax. **You would owe use tax on it in North Carolina**
- Tax rates are the same as sales tax
- Taxpayer can claim a credit for any sales tax paid in the other state
- Use tax is paid on Form E-500: Sales and Use Tax Return
- Businesses that owe Use Tax must register on Form NC-BR

WithholdingTax



Understanding Withholding
Tax obligations

Withholding

- ▶ Businesses are required to collect and pay withholding taxes on employees in North Carolina

Withholding Definitions

- **Withholding Tax:**
 - a portion of income an employer forwards to the federal and state government on behalf of the employee for income tax purposes
- **Employer:**
 - any person or organization whom an individual performs any service as an employee
- **Employee:**
 - generally, a worker that performs services for an employer or business
- **Contractor:**
 - a business or person that provides services to another according to a contract

Effective Jan. 1, 2010, businesses, organizations or individuals in North Carolina that pay more than \$1,500 per year to a contractor with an Individual Taxpayer Identification Number (ITIN) **must withhold 4% of that pay.**

Filing Requirements (based on NC-BR)

- ▶ Quarterly:
 - Form NC-5
 - employers who **withhold less than \$250 per month**
 - Reports due by the last day of the first month after the quarter
- ▶ Monthly:
 - Form NC-5
 - employers who **withhold \$250 – \$2,000 per month**
 - Reports due by the 15th of the following month
- ▶ Semi-Weekly:
 - NC-5Q
 - employers who **withhold more than \$2,000 per month**
 - Reports due on the same day the employer is required to make a federal deposit

Record Keeping



Recommendations

General Recommendations

- Income Tax
 - Keep records for six years
 - Records include:
 - Returns
 - All documents used to prepare the returns
- Sales Tax
 - Keep records for three years
 - Records include:
 - Returns
 - All documents used to prepare returns
- Withholding
 - Keep records for four years
 - Records include:
 - Returns
 - Annual Reconciliation
 - NC-4
 - W-2s

General Recommendations, continued

- Assets
 - Keep records until fully depreciated
 - Records include:
 - Invoices
 - Account statements
 - Canceled checks
- Business Records
 - Keep records for six years
 - Records include:
 - Gross receipts
 - Invoices
 - Cash register tapes
 - Receipt books
 - Purchases
 - Canceled checks
 - Credit card statements
 - Expenses
 - Account statements

Small Business deduction



New Business Income Deduction

- Deduction of up to \$50,000 of net business income the taxpayer receives during the tax year
- Applies to income from federal Schedules C, E, and F
 - Exception: Does not include passive income under IRC
- Joint Returns –
 - If both spouses receive or incur net business income, the maximum \$50,000 applies separately to each spouse's **net** business income
 - Cannot exceed \$100,000
 - Effective for tax years beginning on or after January 1, 2012

Small Business Counseling Program



Small Business Counseling Program: Purpose

- ▶ A program that aims to help small businesses recover from certain tax liability.

Program Goals

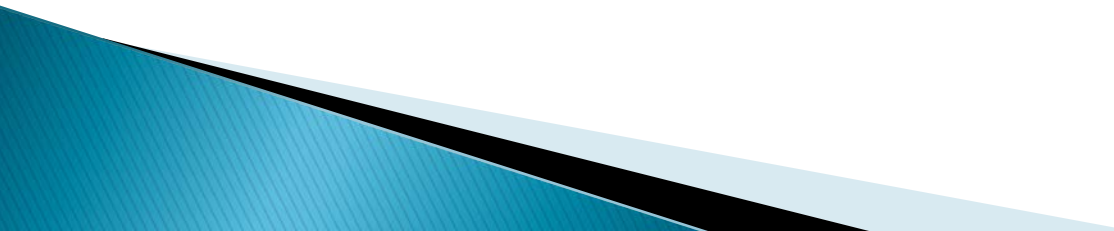
Encourage small businesses facing challenges to seek help/counseling
Expedite repayment of misappropriated trust tax
Save small businesses ... minimize failures and improve overall NC business climate

What businesses are eligible to Participate?

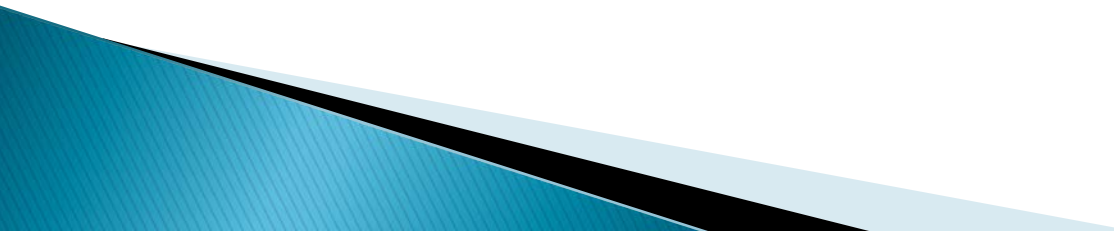
- A taxpayer must be a active small business employing 200 or fewer employees; and
- Required to file and pay trust taxes to the State of North Carolina. Trust taxes include:
 - Motor vehicle lease and rental
 - Sales and use
 - Scrap tire disposal
 - White goods disposal
 - Withholding

Small Business Counseling

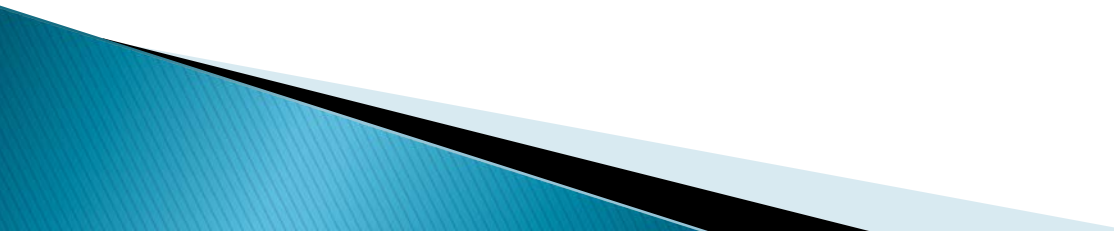
The counseling and technical assistance offered by the SBTDC and SBCN can include:

- Review of business plan
 - Review of financial statement
 - Trust tax education
 - Ongoing assistance to remain compliant
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What's in it for Me?

- Free counseling/training from SBTDC or SBCN
 - All penalties and fees assessed on delinquent trust taxes will be waived upon final payment of tax and interest and completion of counseling.
 - Business will be out of debt with NCDOR and have the business knowledge to operate successfully going forward.
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I Qualify... What Should I do?

- ▶ Contact the NCDOR at 1-877-252-4549
 - ▶ Contact your local Service Center
 - ▶ Indicate that you would like to take advantage of the Taxpayer Small Business Counseling Program
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Questions?

