[2013]

ERO MANUAL FOR ELECTRONIC FILERS AND TRANSMITTERS OF NORTH CAROLINA INDIVIDUAL INCOME TAX RETURNS FOR
Modernized e-File
(MeF)

NC Department of Revenue

501 N. Wilmington Street

Raleigh, NC 27604

Tax Year 2013

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CONTACT PERSONNEL

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Please contact the e-File Development Unit for questions, comments or concerns regarding tax software guidelines, procedures, MeF schemas and business rules.

NORTH CAROLINA ELECTRONIC FILING CALENDAR
For Tax Year January 1, 2013 to December 31, 2013

Begin Federal ATS Testing ....November 04, 2013

Begin State ATS Testing... November 04, 2013*

Last Date to Submit Initial Test Transmission ....December 31, 2013

End Federal/State ATS Testing.. No cut-off date*

Begin Transmitting Returns to IRS/NCDOR .... January 21, 2014

NCDOR Begins Processing Federal/State Returns...January 21, 2014*

Last Date for Timely Filed Returns ....April 15, 2014

Last Date for Retransmission of Rejected Timely Filed Returns.............................April 22, 2014

Last Date for Extended Filed Returns .... October 15, 2014

Last Date for Retransmission of IRS Rejected Late Filed Returns .... October 21, 2014

* Estimated Date That Is Subject To Change at Any Time

PUBLICATIONS

The following publications describe the process of Electronic Filing and Federal/State Electronic Filing:

INTERNAL REVENUE SERVICE PUBLICATIONS

Publication 1345 – Handbook for Authorized IRS e-File Providers of Individual Income Tax Returns

Publication 3112 – IRS e-File Application and Participation

Publication 4164 – MeF Guide for Software Developers and Transmitters

NORTH CAROLINA DEPARTMENT OF REVENUE PUBLICATIONS

ERO Handbook for Electronic Filers and Transmitters of North Carolina Individual Income Tax Returns for Modernized e-File (MeF) (Tax Year 2013)

North Carolina Test Package (Tax Year 2013)

INTRODUCTION

The North Carolina Department of Revenue (NCDOR) is preparing for our 20th consecutive year of the statewide Federal/State Electronic Filing Program. The Federal/State MeF program is a cooperative effort between the Internal Revenue Service (IRS) and participating state revenue departments that will allow the electronic filing of Corporate, Individual, and Partnership tax returns through the internet by using the widely accepted Extensible Markup Language (XML) format. MeF offers many benefits for electronically filing a return such as making payments on a balance due return or attaching supporting documentation with the return. However, North Carolina will only allow processing of current year (2013) and prior years (2011) and (2012) Individual Income tax returns via the MeF system.

MeF uses the web-services method of transmitting returns via the Simple Object Access Protocol (SOAP) with attachments messaging. Authorized e-File providers, also known as Electronic Return Originators (ERO's) can submit returns to the IRS MeF system for federal and state return processing. State returns that are linked to an accepted Federal return are known as "Linked" returns. States returns that are not linked to a previously accepted Federal return are known as "Unlinked" returns.

The purpose of this handbook is to ensure that the IRS and NCDOR rules, regulations and requirements to process MeF returns are clearly defined. We encourage all software developers, transmitters and ERO's to become very familiar with both IRS and NCDOR Publications that pertain to MeF. These Publications are referenced in Chapter 3 (Publications) so please use these documents to assist with properly preparing North Carolina tax data for electronic filing via the MeF platform.

NCDOR is confident that our e-File program will continue to be very successful. We also recognize that our success is dependent on the continued partnerships, open communication and dedicated efforts of each participating software developer, transmitter and ERO. Therefore, if you have any questions or concerns, please contact the NCDOR personnel listed in Chapter 1. As always, we welcome any comments and/or suggestions so that our partnerships in the e-File program can continue to be a great success with you the developers, ERO's and to the taxpayers of North Carolina.

PART I

SOFTWARE DEVELOPERS AND TRANSMITTERS

SOFTWARE DEVELOPERS, TRANSMITTERS & ERO's DEFINED

An authorized e-File provider can be included in one or more of the categories defined below:

- Software Developer – A firm, an organization, or an individual who designs software for the purpose of formatting returns according to electronic return specifications of the IRS and the NCDOR and/or transmitting electronic tax returns directly to the IRS.

- Intermediate Service Provider – A firm, an organization, or an individual who receives tax information from an ERO (or from a taxpayer who files electronically using a personal computer, modem, and commercial tax preparation software), processes the tax return information, and either forwards the information to a transmitter or sends the information back to the ERO or taxpayer in the case of online filing.

- Transmitter – A firm, an organization, or an individual who transmits electronic tax returns directly to the IRS.

- Electronic Return Originator (ERO) – A firm, an organization, or an individual who originates the electronic submission of an income tax return to the IRS and may originate the electronic submission of income tax returns that either they have prepared or that they have collected from taxpayers.

A firm, an organization, or an individual may choose to perform one or all of the above noted functions associated with e-File. Therefore, you must abide by the terms set forth in this handbook and maintain a high degree of integrity, compliance, and accuracy in order to participate in the Federal/State Modernized e-File program.

RESPONSIBILITIES OF SOFTWARE DEVELOPERS, TRANSMITTERS & ERO's

Software Developers

Electronic filers that function as a software developer must:

- Follow the requirements that are provided in this manual.
- Follow the schema and business rule specifications when programming your software.
- Notify NCDOR, customers and clients within 10 business days when an issue has been discovered with the software.
- Quickly correct software errors that may prevent electronic returns from being filed timely.
- Notify NCDOR, customers and clients when the error has been corrected and provide NCDOR with satisfactory evidence that the error has been corrected.

* Errors made by NCDOR and software developers will be placed on the Department's website for public viewing.

Transmitters

Transmitters who provide transmission services to other electronic filers must:

- Only accept electronic returns for transmission to NCDOR from an accepted electronic filer.
- Provide acknowledgment files to each client for their transmitted returns within one business day after receipt of the acknowledgment from NCDOR.
- Include the ERO's EFIN on each return that the transmitter accepts from an ERO.
- Use their EFIN on returns in which they performed duties of an ERO.
- Notify NCDOR if the transmitter ceases business operations.

Electronic filers functioning as transmitters must:

- Transmit all electronic returns within 3 calendar days of receipt and retrieve the acknowledgment file within 2 business days of transmission.
- Provide acknowledgment files to the ERO or Intermediate within 2 business days of retrieval from NCDOR.
- Ensure the security and confidentiality of all transmitted data.
- Ensure against the unauthorized use of its EFIN or ETIN.
- Match the state acknowledgment files to the original transmission files and contact the E-File Development Unit if the state acknowledgment has not been received within 3

calendar days of transmission.
- Retain a state acknowledgment file received until the end of the calendar year in which the electronic return was filed.

ERO's

Electronic filers that function as an ERO must:

- Obtain (2) forms of identification from taxpayers to discourage abuse in the e-File program.

  - One form of ID should be a picture id that reflects the taxpayer's name and current address if available.
  - The second form of ID should reflect the same name and the same social security number the taxpayer is using to file the return.

- Obtain the employer issued state copy of the wage and tax statement.

  - Returns may be prepared using documentation of income and federal tax withholding (i.e., pay stub, leave & earnings statement). However, the return must not be electronically filed prior to the ERO's receipt of the related W-2, W-2G or 1099R form. Also, substitute wage and tax statements and copies of statements created on an ERO's personal computer **are not acceptable** income statements. If the taxpayer has not received a correct Form W-2, W-2G, or 1099-R by February 15, 2014, a Federal Form 4852 or other documentation may be needed to complete the federal and state returns.

- Use approved software for the North Carolina electronic filing program.
- Give taxpayers copies of all forms filed including attachments.

A taxpayer does not have to submit any supporting documentation for an e-filed return for the following:

- Bailey Settlement deduction
- Other deductions from federal taxable income
- Other additions to federal taxable income
- Tax credit for taxes paid to another state or country

The department will notify the taxpayer if any supporting documentation is needed.

Taxpayers are required to submit Form NC K-1 to the NCDOR for an e-filed return if the return indicates tax payments from a partnership or S corporation. This form(s) may be attached to the MeF return as a PDF attachment. Otherwise, the form(s) should be mailed to the North Carolina Department of Revenue, PO Box 25000, Raleigh, NC 27640-0001 within 48 hours after submitting the electronic individual income tax return.

Acknowledgments

NCDOR will generate an acknowledgement from the MeF system for each submission that is received from ERO's and transmitters. The acknowledgements will indicate if the return was accepted or rejected. A federal acknowledgement is separate from a NCDOR acknowledgement. The receipt of a federal acknowledgement does not signify that NCDOR received your state submission. Only a NCDOR acknowledgement guarantees that the North Carolina submission was received.

Also, the business rules or schema validation error codes should be displayed on the acknowledgment provided to the taxpayer and/or tax preparer. The acknowledgment **should not** state, "Contact NCDOR for business rule or schema validation error information."

NCDOR TESTING PROCESS

> **Important**: The information and line numbers on the Department's tax forms and instructions as well as references to line numbers on Federal income tax forms are based on the most current information available. Please be advised this information is subject to change based on possible federal and/or state tax provision changes.

Assurance Testing System (ATS) Process

All software developers and transmitters are required to test their transmission software with North Carolina data on an annual basis. The testing phase is a critical component for the e-File program and requires each of the software developers and transmitters to adhere to North Carolina tax laws, Schema, and Business Rule validations. Therefore, testing ensures prior to live processing that:

- The XML submission documents are formatted correctly
- Business rule validations are coded correctly
- Required fields are present
- Returns have no math errors
- Returns post to the NCDOR tax system

Prior to testing, each software developer **must** submit a "Response Form" to the e-File & Development Unit for each software product that **must** be tested. Each software product must have a different software developer code. For example if you have both Tax Preparation and Online software products, you can differentiate between the products by using XYZ for the Tax Preparation product and XYZ OL for the online product. Therefore, each transmission of test data must contain valid software developer identification. Any records received by NCDOR that do not contain valid identification will **not** be processed.

Also, if a developer is seeking approval for a software product that runs on different operating systems (i.e., Windows, Macintosh) or that has alternative user interfaces (i.e., Desktop, Web, Custom Branding) the developer must test each version of the product separately with NCDOR. Software Developers and Transmitters participating in the program will be provided with test data and instructions to perform testing of North Carolina's Individual Income Tax Forms D-400 and D-400TC for tax year 2013.

The range of test social security numbers assigned by the IRS to North Carolina is 400-00-4900 to 400-00-4999. The IRS will only accept these social security numbers during testing; if these numbers are used during live processing, the returns will be rejected.

Under the concurrent testing rule, software developers and transmitters may begin State testing prior to obtaining final acceptance from the IRS for the Federal ATS process. All North Carolina test returns used in e-File testing are comprised of applicable federal test data. Knowledge of Federal and North Carolina State tax laws and tax preparation is necessary. It may be necessary to add or change some of the federal data as specified by North Carolina to complete the testing process. Therefore, if your software does not support certain federal forms or certain line items on the North Carolina return (Forms D400/D400TC), please provide detailed calculations and/or explanations for your test return results. **It is very important that you list all of your software limitations on the "Response Form" prior to the start of software developer testing. This will ensure the reviewer has all the necessary information to complete your compares accurately.** If limitations are not properly identified, test results will be based on supporting all forms, schedules and test scenarios.

For limitations, developers should calculate the return data based on NCDOR's test cases **and** the software's limitations.

> ➤ Ex. NCDOR Test Case shows the following for Form 1040:

Wages, salaries, tips, etc.	7937
Taxable refunds, credits, or offsets of state and local income tax	1000
Rental real estate, royalties, partnerships, S corps, trust, etc (Schedule E)	1000
Total income	**9937**
Student loan interest deduction	50
Adjusted gross income	**9887**
Standard deduction	5700
Exemptions	3650
Taxable Income	**537**

> ➤ Ex. Software Limitations = Does not support Schedule E – Developer's correctly completed Form 1040

Wages, salaries, tips, etc.	7937
Taxable refunds, credits, or offsets of state and local income tax	1000
Rental real estate, royalties, partnerships, S corps, trust, etc (Schedule E)	
Total income	**8937**
Student loan interest deduction	50
Adjusted gross income	**8887**
Standard deduction	5700
Exemptions	3650
Taxable Income	**-463**

If for some reason limitations are recognized after the "Response Form" has been submitted to NCDOR, please submit an updated list to the e-File & Development Unit as soon as possible so that your file can be updated. If software limitations are provided after the testing start date, please allow 7 business days from the time the limitations are submitted before transmitting test returns.

Once the Federal/State ATS testing season begins, software developers and transmitters can

begin transmitting test returns through the Fed/State MeF program. As a final stage in the approval process, a manual review will be performed on **all** test returns received in a single transmission. After a successful transmission without triggering any business rules you will receive an automated comparison email for all the accepted returns. Listed below is an example of the automated email.

Software ID: NC_TEST
Submission Category: IND
Tax Year: 2013

Thank you for filing MeF test returns with the North Carolina Department of Revenue.

An automated comparison has been performed, and the results are shown below. If no discrepancies were found, only basic submission information will be listed. If discrepancies were found, submission information will be listed along with the XPaths and received values for the elements in question.

Please review the information below, make any necessary corrections, and resubmit as needed until **all** discrepancies have been resolved.

As the final stage in the approval process, a manual review is performed. We request that a full set of valid test returns be submitted and accepted in a single batch prior to this review taking place. Please also provide the **required** screenshots by email to NCTaxefile@dornc.com.

Submission ID: 65555820120529806643, Case ID: 1, Identity Number: 400004900   *(Example of correct return)*
  -- Successful compare --

Submission ID: 78234420120521072545, Case ID: 2, Identity Number: 400004901   *(Example of incorrect return)*
   [D400] Originator EFIN [000000]
       //ReturnHeaderState/Originator/EFIN

Submission ID: 78234420120521072542, Case ID: 3, Identity Number: 400004902   *(Example of incorrect return)*
   [TC:1] Total Inc from all Sources from Federal Form 1040 [<element expected, but not found>]
       //ReturnDataState/FormNCD400TC/IncTaxPaidOtherState/TotalIncome
   ----

Please note that Developers who are seeking approval for a software product that runs on different operating systems (e.g. Windows, Mac) or that has alternative user interfaces (e.g. desktop, web, custom branding) must test **each** version of the product separately with NCDOR.

If you have any questions please feel free to contact the E-File Development Unit at (919) 814-1500 or NCTaxefile@dornc.com.

Thank you for your participation with North Carolina in the MeF program!

Sincerely,

North Carolina E-File Development Unit

Software Approval Process

ATS testing approval is a two-step process. First, the software developer must test their software designed for electronic filing by testing all North Carolina Individual Income Tax Forms, including the D-400 and D-400TC. Then, an email will be sent to the developer requesting the developer to provide screen shots detailing the verbiage used from their software product for the following:

- Verbiage used to prompt the user to answer the question: Is this refund going to or through an account that is located outside the United States?

- Verbiage on the instruction page to verify the following: "If you owe additional tax, you can pay online by bank draft or debit/credit card using Visa or MasterCard. To pay online, go to the Department's website at www.dornc.com and click onto Electronic Services."

*A screen shot detailing the verbiage used to verify the taxpayer's designation of the Public Campaign Fund is no longer required due to the removal of these elections from tax year 2013 Form D-400.

These screens shots must be submitted for software products used only by the general population as well as those used strictly by professionals. Software developers will be notified in writing of their e-File approval after completing the e-File testing process. The approval letter will be emailed and the original copy faxed **only** if requested. If, after approval, your software company has production problems, the NCDOR reserves the right to disapprove the company for the remainder of the filing season.

Once you have received your approval letter, you may release your software product for e-File even if your forms have not been approved for paper filing. You will need to place a banner over the D-400, D-400TC and D-400V stating the form has not been approved for paper filing. In addition, you must do all of the following:

- Software Developers are to notify the Department, customers, and clients within 10 business days when an issue has been discovered within their software. Errors must be corrected and the Department provided with satisfactory evidence that the errors have been corrected and customers/clients have been notified of the correction.

* Errors made by the North Carolina Department of Revenue and software developers will be placed on the Department's website for public viewing.

- Developers are no longer required to provide a copy of the software or 'URL' unless requested. If requested, developers must provide a copy of the software or 'URL' within 5 business days from the date of request.

Forms Approval

Each software developer must gain approval to produce paper substitute tax forms. This approval process is handled by NCDOR's Forms Development & Testing Unit. Therefore, you will need to visit the following website www.dornc.com/forms/generated.html for instructions regarding their testing and forms approval process.

Chapter 8

NORTH CAROLINA MeF SCHEMAS

The MeF schemas that are needed to successfully transmit North Carolina Individual Income Tax Returns for tax year 2013 are located on our website. The web address for the schemas is http://www.dornc.com/electronic/e-file_taxpro.html.

Chapter 9

NORTH CAROLINA MeF BUSINESS RULES

Rule Number	Rule Text	Error Category	Severity	Rule Status
	System			
X0000-002	Incorrect Transmission data.	Incorrect Data	Reject	Active
X0000-003	Missing Data	Missing Data	RejectAndStop	Active
X0000-004	Data Mismatch	Data Mismatch	RejectAndStop	Active
X0000-005	The XML data has failed schema validation.	XML Error	RejectAndStop	Active
X0000-006	MeF Gateway experiences system error.	System Error	RejectAndStop	Active
X0000-007	Other State Submission.	XML Error	RejectAndStop	Active
X0000-008	The namespace declarations in the root element of the return ('Return' element) must be as follows: The default namespace shall be set	XML Error	RejectAndStop	Active
	D-400/D-400TC -- General			
NCD400-1010	[D-400] Duplicate return. The submission's Primary SSN matches an existing accepted return's Primary SSN or Secondary SSN.	Duplicate Condition	RejectAndStop	Active
NCD400-1015	[D-400] Duplicate return. The submission's Secondary SSN matches an existing accepted return's Primary SSN or Secondary SSN.	Duplicate Condition	RejectAndStop	Active
NCD400-1018	[D-400] Duplicate SSN. The submission's Primary SSN matches the Secondary SSN.	Duplicate Condition	RejectAndStop	Active
NCD400-1020	[D-400] The software used has not been approved for e-file.	Database Validation Error	RejectAndStop	Active
NCD400-1025	[D-400] A Federal return (1040, 1040A, 1040EZ) must be provided.	Missing Data	Reject	Active
NCD400-1030	[D-400] Amended returns cannot be electronically filed.	Incorrect Data	RejectAndStop	Active
NCD400-1035	[D-400] Tax Year in return header must equal Tax Year in manifest.	Incorrect Data	RejectAndStop	Active
NCD400-1040	[D-400] Jurisdiction must be "NC".	Incorrect Data	RejectAndStop	Active
NCD400-1060	[D-400] If Filer State is "NC", then NC County Code must be provided; in all other cases, it must not be provided.	Incorrect Data	Reject	Active
NCD400-1070	[D-400] If a Paid Preparer was used, SSN/PTIN/STIN, Preparer Address, and Preparer Phone must be provided.	Incorrect Data	Reject	Active
NCD400-1080	[D-400] If Filing Status is Married Filing Jointly, Spouse Name and SSN must be provided; in all other cases, they must not be provided.	Incorrect Data	Reject	Active

NCD400-1090	[D-400] If Filing Status is Married Filing Jointly, Spouse Residency Status must be provided; in all other cases, it must not be provided.	Incorrect Data	Reject	Active
NCD400-1100	[D-400] If Filing Status is Married Filing Separately, Married Filing Separately Spouse Name and Married Filing Separately Spouse SSN must be provided; in all other cases, they must not be provided.	Incorrect Data	Reject	Active
NCD400-1110	[D-400] If Filing Status is Qualifying Widow(er) with Dependent Child, Year Spouse Died must be provided; in all other cases, it must not be provided.	Incorrect Data	Reject	Active
NCD400-1120	[D-400] The Primary SSN in the manifest must match the Primary Filer SSN in the return header. If applicable, the Spouse SSN in the manifest must match the Secondary Filer SSN in the return header.	Incorrect Data	Reject	Active
D-400				
NCD400-2010	[D-400] Line 7 must equal line 39.	Incorrect Data	Reject	Active
NCD400-2020	[D-400] Line 8 must equal line 6 plus line 7.	Incorrect Data	Reject	Active
NCD400-2030	[D-400] Line 9 must equal line 52.	Incorrect Data	Reject	Active
NCD400-2040	[D-400] Line 10 must equal line 8 minus line 9.	Incorrect Data	Reject	Active
NCD400-2050	[D-400] Line 12 must equal line 10 minus line 11.	Incorrect Data	Reject	Active
NCD400-2053	[D-400] Line 14 must equal line 12 minus line 13.	Incorrect Data	Reject	Active
NCD400-2056	[D-400] Line 15 must equal line 14.	Incorrect Data	Reject	Active
NCD400-2060	[D-400] If line 17 is greater than or equal to $10, then line 18 must be >= $1.	Incorrect Data	Reject	Active
NCD400-2070	[D-400/D-400TC] D400 line 19 must equal D-400TC line 37 (if the D-400TC is filed); if the D-400TC is not filed, D-400 line 19 must be zero or blank.	Incorrect Data	Reject	Active
NCD400-2080	[D-400] Line 20 must equal line 18 minus line 19.	Incorrect Data	Reject	Active
NCD400-2090	[D-400] Line 22 must equal line 20 plus line 21.	Incorrect Data	Reject	Active
NCD400-2100	[D-400] If Filing Status is not Married Filing Jointly, then line 23b must be zero or blank.	Incorrect Data	Reject	Active
NCD400-2120	[D-400] Line 26 must equal the sum of lines 23a through 25.	Incorrect Data	Reject	Active
NCD400-2130	[D400] If line 22 is less than or equal to line 26, lines 27a, 27b, and 27c must be zero or blank.	Incorrect Data	Reject	Active
NCD400-2140	[D400] If line 22 is greater than line 26, line 27a must equal line 22 minus line 26.	Incorrect Data	Reject	Active
NCD400-2150	[D400] Line 28 must equal the sum of lines 22, 27b, 27c, and 27d, minus line 26, if positive; otherwise it should be zero or blank.	Incorrect Data	Reject	Active
NCD400-2160	[D400] Line 29 must equal line 26 minus the sum of lines 22, 27b, 27c, and 27d, if positive; otherwise it should be zero or blank.	Incorrect Data	Reject	Active
NCD400-2210	[D-400] Line 32 must equal line 30 plus line 31.	Incorrect Data	Reject	Active
NCD400-2220	[D-400] Line 32 must be less than or equal to line 29.	Incorrect Data	Reject	Active
NCD400-2230	[D-400] Line 33 must equal line 29 minus line 32.	Incorrect Data	Reject	Active
NCD400-2260	[D-400] Line 39 must equal the sum of lines 34 through 38.	Incorrect Data	Reject	Active

NCD400-2270	[D-400] Line 46f must equal the sum of lines 46a, 46b, 46c, 46d and 46e.	Incorrect Data	Reject	Active
NCD400-2275	[D-400] Line 47d must equal the sum of lines 47a, 47b and 47c.	Incorrect Data	Reject	Active
NCD400-2280	[D-400] Line 52 must equal the sum of lines 40 through 45, 46f, and 47d through 51.	Incorrect Data	Reject	Active
	D-400 -- Part-Year Residents and Nonresidents			
NCD400-2510	[D-400] If taxpayer is a full-year resident, then the taxpayer nonresident indicator, part-year resident indicator ("moved into or out of North Carolina"), and part-year resident dates must be blank.	Incorrect Data	Reject	Active
NCD400-2520	[D-400] If spouse (if Married Filing Jointly) is a full-year resident, then the spouse nonresident indicator, part-year resident indicator ("moved into or out of North Carolina"), and part-year resident dates must be blank.	Incorrect Data	Reject	Active
NCD400-2530	[D-400] If taxpayer is not a full-year resident, then either the taxpayer nonresident indicator or the taxpayer part-year resident indicator ("moved into or out of North Carolina"), but not both, must be checked.	Incorrect Data	Reject	Active
NCD400-2540	[D-400] If spouse (if Married Filing Jointly) is not a full-year resident, then either the spouse nonresident indicator or the spouse part-year resident indicator ("moved into or out of North Carolina"), but not both, must be checked.	Incorrect Data	Reject	Active
NCD400-2550	[D-400] If taxpayer is a part-year resident, the taxpayer residency end date must be on or after the taxpayer residency begin date.	Incorrect Data	Reject	Active
NCD400-2560	[D-400] If spouse (if Married Filing Jointly) is a part-year resident, the spouse residency end date must be on or after the spouse residency begin date.	Incorrect Data	Reject	Active
NCD400-2570	[D-400] If lines 53 and 54 are both greater than zero, line 55 must equal line 53 divided by line 54 (with the result rounded to four decimal places); in all other cases, line 55 must be zero or blank.	Incorrect Data	Reject	Active
	D-400 -- Part-Year Residents and Nonresidents -- taxpayer & spouse both full-year residents			
NCD400-2610	[D-400] If taxpayer and spouse (if Married Filing Jointly) are full-year residents, then line 15 must equal line 17.	Incorrect Data	Reject	Active
NCD400-2620	[D-400] If taxpayer and spouse (if Married Filing Jointly) are full-year residents, then all of lines 16 and 53 through 55 must be zero or blank.	Incorrect Data	Reject	Active
NCD400-2630	[D-400/D-400TC] If taxpayer and spouse (if Married Filing Jointly) are full-year residents, then D-400 line 25 must equal D-400TC line 39 (if the D-400TC is filed); if the D-400TC is not filed, D-400 line 25 must be zero or blank.	Incorrect Data	Reject	Active
NCD400-2640	[D-400/D-400TC] If taxpayer and spouse (if Married Filing Jointly) are full-year residents, then D-400TC line 13 must equal D-400TC line 15.	Incorrect Data	Reject	Active

NCD400-2650	[D-400/D-400TC] If taxpayer and spouse (if Married Filing Jointly) are full-year residents, then D-400TC line 16 must equal D-400TC line 18.	Incorrect Data	Reject	Active
NCD400-2660	[D-400/D-400TC] If taxpayer and spouse (if Married Filing Jointly) are full-year residents, then all of D-400TC lines 14, 17, and 40 must be zero or blank.	Incorrect Data	Reject	Active
	D-400 -- Part-Year Residents and Nonresidents -- taxpayer or spouse not full-year residents			
NCD400-2710	[D-400] If either taxpayer or spouse (if Married Filing Jointly) is not a full-year resident, then line 16 must equal line 55.	Incorrect Data	Reject	Active
NCD400-2720	[D-400] If either taxpayer or spouse (if Married Filing Jointly) is not a full-year resident, then line 17 must equal line 15 multiplied by line 16 (with the result rounded to the nearest whole number).	Incorrect Data	Reject	Active
NCD400-2730	[D-400/D-400TC] If either taxpayer or spouse (if Married Filing Jointly) is not a full-year resident, then D-400 line 25 must equal D-400TC line 40 (if the D-400TC is filed); if the D-400TC is not filed, D-400 line 25 must be zero or blank.	Incorrect Data	Reject	Active
NCD400-2740	[D-400] If either taxpayer or spouse (if Married Filing Jointly) is not a full-year resident, then at least one of lines 53 through 55 must be non-zero/non-blank.	Incorrect Data	Reject	Active
NCD400-2750	[D-400/D-400TC] If either taxpayer or spouse (if Married Filing Jointly) is not a full-year resident, then both D-400TC lines 14 and 15 must equal D-400TC line 13 multiplied by D-400 line 16 (with the result rounded to the nearest whole number); if D-400 line 16 is greater than 1.0000, D-400TC lines 14 and 15 must equal D-400TC line 13.	Incorrect Data	Reject	Active
NCD400-2760	[D-400/D-400TC] If either taxpayer or spouse (if Married Filing Jointly) is not a full-year resident, then both D-400TC lines 17 and 18 must equal D-400TC line 16 multiplied by D-400 line 16 (with the result rounded to the nearest whole number); if D-400 line 16 is greater than 1.0000, D-400TC lines 17 and 18 must equal D-400TC line 16.	Incorrect Data	Reject	Active
NCD400-2770	[D-400/D-400TC] If either taxpayer or spouse (if Married Filing Jointly) is not a full-year resident, then D-400TC line 40 must equal D-400TC line 39 multiplied by D-400 line 16 (with the result rounded to the nearest whole number); if D-400 line 16 is greater than 1.0000, D-400TC line 40 must equal D-400TC line 39.	Incorrect Data	Reject	Active
	D-400TC			
NCD400-3010	[D-400TC] If lines 1 and 2 are both greater than zero, then line 3 must equal line 2 divided by line 1 (with the result rounded to four decimal places); in all other cases, line 3 must be zero or blank.	Incorrect Data	Reject	Active
NCD400-3020	[D-400TC] Line 5 must equal line 3 multiplied by line 4 (with the result rounded to the nearest whole number).	Incorrect Data	Reject	Active

NCD400-3030	[D-400TC] If line 6 is greater than zero, then line 2 must be greater than zero.	Incorrect Data	Reject	Active
NCD400-3040	[D-400TC] If line 6 is greater than zero, then line 7b must equal 1.	Incorrect Data	Reject	Active
NCD400-3050	[D-400TC] If line 7b is not equal to 1, then lines 1 through 6 must be zero or blank.	Incorrect Data	Reject	Active
NCD400-3060	[D-400/D-400TC] If D-400TC line 7b is equal to 1, then D-400TC line 4 must equal D-400 line 18.	Incorrect Data	Reject	Active
NCD400-3070	[D-400TC] If line 7b is equal to 1, then line 7a must equal the lesser of line 5 and line 6.	Incorrect Data	Reject	Active
NCD400-3080	[D-400TC] Line 9 must be less than or equal to line 8.	Incorrect Data	Reject	Active
NCD400-3090	[D-400TC] Line 11 must equal line 8 minus line 9.	Incorrect Data	Reject	Active
NCD400-3100	[D-400TC] Line 13 must equal line 10 plus line 12.	Incorrect Data	Reject	Active
NCD400-3110	[D-400/D-400TC] If Filing Status is Single and Federal AGI is >= $60,000, or Married Filing Jointly and Federal AGI is >= $100,000, or Married Filing Separately and Federal AGI is >= $50,000, or Head of Household and Federal AGI is >= $80,000, or Qualifying Widow(er) with Dependent Child and Federal AGI is >= $100,000, then D-400TC lines 16 through 18 must be zero or blank.	Incorrect Data	Reject	Active
NCD400-3120	[D-400TC] Line 19 must equal the sum of lines 7a, 15, and 18.	Incorrect Data	Reject	Active
NCD400-3130	[D-400TC] If line 20b is non-zero, then line 20a must be non-zero/non-blank.	Incorrect Data	Reject	Active
NCD400-3135	[D-400TC] If line 31 is non-zero, then at least one of the misc. income tax credit indicators must be checked.	Incorrect Data	Reject	Active
NCD400-3140	[D-400TC] Line 33 must equal the sum of lines 19, 20b, 21, 23, 24, 25, 26, 27b, 28b, 29b, 30b, 31, and 32.	Incorrect Data	Reject	Active
NCD400-3150	[D-400/D-400TC] D-400TC line 34 must equal D-400 line 18 (if D-400TC line 33 is > $0).	Incorrect Data	Reject	Active
NCD400-3160	[D-400TC] Line 35 must equal the lesser of lines 33 and 34.	Incorrect Data	Reject	Active
NCD400-3170	[D-400TC] Line 37 must equal the sum of lines 35 and 36.	Incorrect Data	Reject	Active
NCD400-3180	[D-400/D-400TC] D-400TC line 37 must be less than or equal to D-400 line 18 (if the D-400TC is filed).	Incorrect Data	Reject	Active
NCD400-3200	[D-400TC] If Number of Qualifying Children is 0, line 38 must be <= $487; if Number of Qualifying Children is 1, line 38 must be <= $3,250; if Number of Qualifying Children is 2, line 38 must be <= $5,372; if Number of Qualifying Children is 3 or more; line 38 must be <= $6,044.	Incorrect Data	Reject	Active
NCD400-3210	[D-400TC] Line 39 must equal line 38 multiplied by 4.5% (0.045) (with the result rounded to the nearest whole number).	Incorrect Data	Reject	Active
	State 1099-G			
NCD400-5010	[1099-G] Void and Corrected indicators cannot both be checked.	Incorrect Data	Reject	Active

Chapter 10

<u>HELPFUL REMINDERS</u>

❖ Clearly define in your software how to enter and submit an unlinked return.

❖ Please respond in a timely manner when we make you aware of problems with your software.

❖ Please complete regression testing after making changes and corrections to your software packet during production.

❖ You must complete the Forms Testing process in order to get your software approved for paper filing.

❖ To assist in the ATS testing process, it may be helpful to have a person on staff that is familiar with tax law assisting the programmer.

❖ The software must include both the Tax Rate Schedule and Tax Table.

❖ Acknowledgments should be sent to the transmitters on a timely basis.

❖ Do **not** allow a social security number in the spouse field if the filing status is not MFJ.

❖ Federal and all other attachments should not be submitted as "Secured" documents.

PART II

TAX PREPARERS, PRACTITIONERS AND CPA'S

FEDERAL/STATE ELECTRONIC FILING FOR MeF

ERO's, Intermediate Service Providers and Transmitters accepted in the IRS e-File Program will be able to participate in the Fed/State Modernized e-File program and file both the federal return and the state return in one transmission (linked) or the state return in a separate transmission as (unlinked). The software used to transmit the data must be certified by both the IRS and the NCDOR.

There are two ways to file an income tax return electronically. The first way is by personal computer using tax preparation software. The second way is by using an online service from an approved software developer. If a taxpayer decides to use an online product to e-File their individual income tax return, the department requires that all online filers provide an IP address. If the taxpayer doesn't have access to a personal computer, then the taxpayer can contact a tax professional who offers electronic filing of federal and state returns. The tax professional must be approved by the IRS to prepare returns.

Once approved, tax professionals must adhere to the requirements and specifications set forth by the IRS and North Carolina. Electronic filing providers must ensure that they do not engage in the purposeful act of "Stockpiling" returns. Stockpiling as defined by IRS in Publication 1345 is collecting returns from taxpayers or from authorized e-file providers prior to official acceptance in the program or having more than a few days inventory of returns for electronic transmission in-house. Charging fees for the transmission of an electronic return cannot be based on a percentage of the refund amount or on the amount of taxes. These acts are strictly prohibited and non-compliance can result in suspension from the program by the NCDOR Electronic Filing Review Board.

The expectation for all electronic filing providers is to ensure that the electronic returns are filed in a timely manner, which should be done on or before the due date. The tax return is not considered filed until the electronic portion of the tax return has been acknowledged and accepted. The electronic portion of the return is NC Form D-400 and NC Form D-400TC.

The IRS will acknowledge acceptance of the federal data and receipt of a state data packet for processing. The state data packet consists of the state return and a copy of the federal return. NCDOR will acknowledge receipt of the state data packet through the Fed/State Acknowledgment System and will then process the taxpayer's return. The filing date for North Carolina returns is the date that the IRS accepts the Fed/State submission.

If an error is discovered and can be corrected, both returns may be retransmitted. If the federal return cannot be corrected, the state return can be retransmitted separately as an "unlinked" return. Some returns are rejected based on schema validation or business rule errors and must be corrected by the ERO, transmitter or taxpayer before resubmitting. Returns with errors that are not rejected will be corrected through the normal error resolution process.

Sometimes changes may need to be made on an e-filed return that has been acknowledged by NCDOR. If the acknowledgment states that the return was "Accepted" by NCDOR, the e-filed return cannot be intercepted to make corrections. In order to correct an error on a North Carolina Individual Income Tax Return for tax year 2013, you will need to amend your income tax return by filling out Form D400X. These forms are located on our website at www.dornc.com/downloads/individual.html.

If you need assistance in completing the forms, you can use the instruction booklet D-401: **Individual Income Tax Instructions for Form D-400** and refer to the section that is titled, "Amended Returns" or you can call our Taxpayer Assistance Division at 1-800-252-3052. If the return was "Rejected" by NCDOR, then the e-filed return must be retransmitted after corrections to the return have been made.

ACCEPTANCE & PARTICIPATION IN THE E-FILE PROGRAM

NCDOR requires all tax professionals to be accepted into the Federal program before they can participate in the Federal/State e-File Program. A tax professional must have completed the **IRS Form 8633, Application to Participate in the IRS e-File Program**; submit it to the IRS, been accepted into the program and received an Electronic Filing Identification Number (EFIN) in order to participate in State e-File. **IRS Publication 3112** specifies the application process and all requirements that are needed in order to participate in the Electronic Filing program. Tax professionals do not need to submit an application to NCDOR nor submit a copy of the federal acceptance letter to be accepted into the e-File program for state e-Filing purposes.

NCDOR however will send a letter of rejection to participants if necessary for violating the regulations and guidelines of the e-File program. The department will have access to the Federal Applicant Database that enables the Department to reference pertinent information regarding the tax professional. The following may result in a tax professional from being denied participation in the program:

- Conviction of a criminal offense under the revenue laws of the State of North Carolina or any offense involving dishonesty or breach of trust.
- Failure to file timely and accurate returns, both business and personal.
- Failure to pay business and personal tax liabilities.
- Suspension or rejection from the program in a prior year if corrective actions are not taken and approved by NCDOR.
- Other facts or conduct of a disreputable nature that would reflect adversely on the program.
- Unethical practices in return preparation.
- Noncompliance with North Carolina electronic filing rules and regulations as explained in the handbook.

Tax professionals will need software that has been approved by the IRS and the NCDOR in order to e-File. It is recommended that a tax professional contract to purchase software capable of electronically filing the North Carolina return after the software developer has completed the testing process and the software has been approved by NCDOR. A list of approved software developers for the current tax year can be accessed on our website at http://www.dornc.com/electronic/e-file.html

Note: NCDOR does not promote or endorse any particular product and NCDOR's approval only means that the vendor has met the established software requirements and specifications.

Chapter 13

WHAT'S NEW FOR TAX YEAR 2013?

Modernized e-File Program (MeF)

North Carolina is a participant in the Federal Modernized e-File (MeF) program and this will be the state's second full year filing Individual Income tax returns through the MeF system. Benefits of using the MeF system are as follows:

- Faster acknowledgements; returns are processed and acknowledged in real time

- MeF eliminates batch processing; returns are processed and acknowledged on a transactional basis

- System is scalable which allows for the implementation of other tax schedules (i.e., Corporate)

- Prior year returns (2011 and 2012)

- Ability to attach necessary documentation to the return as a PDF document

- All PDF's attachments must be submitted unsecured.

- Ability to file 1099 forms through the MeF platform

  o NC-1099-PS

  o NC-1099-ITIN

  o 1099-G

  o 1099-Misc

__All of the existing forms supported by the North Carolina legacy e-File system will continue to be supported by the MeF system.__

North Carolina Tax Law Changes

- Certain taxpayers are required to make an addition to federal itemized deductions when determining their North Carolina itemized deductions. The North Carolina General Assembly did not adopt the federal provision which extended mortgage insurance premiums through 2013.

- An addition is required on the 2013 Income tax return for taxpayers claiming a deduction on their federal return for tuition and fees expenses.

- An addition is required on the 2013 income tax return for taxpayers claiming bonus

depreciation and section 179 expense deduction.

- A deduction is allowed for individuals who added back bonus depreciation and section 179 expense deductions on their 2012 income tax return.

- North Carolina no longer allows a deduction for taxpayers who elected to claim the American Opportunity, Hope, or Lifetime Learning credit on their federal return.

- The state earned income tax credit has changed from 5 percent to 4.5 percent of the federal credit.

- Taxpayers are no longer able to make designations on their individual income tax return to the N.C. Political Parties Finance Fund or N.C. Public Campaign Fund.

For a complete listing of North Carolina General Statutes concerning taxation, please visit the North Carolina General Assembly website, Chapter 105, located at http://www.ncga.state.nc.us/gascripts/Statutes/StatutesTOC.pl?Chapter=0105.

Reminders

- Beginning in tax year 2013, the Internal Revenue Service is allowing taxpayers who claim the credit for adoption expenses to e-file income tax returns that include Form 8839. However, the North Carolina Department of Revenue is not allowing this credit to be e-filed for tax year 2013. Therefore any taxpayers claiming the credit for adoption expenses must continue to file the D-400/D-400TC Individual Income Tax Return by paper.

- Calendar year 2012 was included in the deduction allowed for individuals who added back bonus depreciation and section 179 expense deductions on their income tax return.

Chapter 14

EXCLUSIONS FROM NORTH CAROLINA ELECTRONIC FILING

For tax year 2013, North Carolina tax documents that may be filed electronically are Forms D-400, D-400TC, NC-1099-PS, NC-1099-ITIN, 1099-G, and 1099-Misc.

. The following State forms are **not** acceptable for electronic filing for the 2013 tax year:

- Form D-400X for the Amended Return.

- Corrected or amended returns on forms other than D-400X.

- Returns for non-calendar year filer.

- Form NC-478 and/or series NC-478A thru L. A taxpayer that is required to file Form NC-478 and/or Forms NC-478A thru L can file their Form D-400 and D-400TC electronically. However, Form NC-478 and Forms NC-478A thru L themselves cannot be filed electronically and **must** be mailed to the NCDOR. The form(s) should be mailed to the North Carolina Department of Revenue, PO Box 25000, Raleigh, NC 27640-0500 within 48 hours after submitting the electronic individual income tax return. This form(s) may be attached to the MeF return as a PDF attachment.

- Form D-410, Application for Extension for Filing Individual Income Tax Return. A taxpayer requesting an extension cannot file Form D-410 through the Fed/State e-File program. However, Form D-410 can be filed electronically through the Department's website at http://www.dornc.com/electronic/index.html#individuals. A taxpayer that has received an extension of time to file their return can file their return electronically but must do so by **October 15, 2014**. This extension is for the time to file **only**; they must still pay any balance due by the **April 15, 2014** deadline.

NOTE: In addition to the above exclusions from North Carolina e-File, any income tax return in the list of exclusions from Federal e-File cannot be filed through the Federal/State MeF program.

Direct Deposit

Direct deposit is available for individual income tax returns that are e-filed by an approved tax preparer or an approved online service provider. Direct deposit is available only for the original refund and is **not** available to taxpayers filing a paper return. As a result of new banking rules, NCDOR does not support direct deposits into a financial institution that is not located in the territorial jurisdiction of the United States. Therefore; if you request your refund to be directly deposited into a financial institution that is not located in the United States, your direct deposit request will not be granted. Instead, you will be issued a paper check.

A refund anticipation loan (RAL) is money borrowed by the taxpayer from a lender based on the taxpayer's anticipated refund amount. North Carolina is not involved in or responsible for RALs. All parties to RAL agreements, including electronic return originators (EROs), must ensure that taxpayers understand that RALs are interest-bearing loans. North Carolina is not liable for any loss suffered by taxpayers, EROs, or financial institutions due to processing delays, reduced refunds, or direct deposits not being honored (resulting in refund checks being issued).

Direct deposit refunds are electronically transferred to a taxpayer's financial institution into a checking or savings account. A financial institution for the purposes of direct deposit of tax refunds is defined as a state or national bank, credit union, savings and loan association or mutual savings bank within the United States. Refunds may not be deposited into a credit card account.

Taxpayers may elect the following options for receipt or designation of their overpayment:

- Direct deposit into a bank account
- Receipt of a check
- Crediting the overpayment as an estimated tax payment for the next tax year
- Contribution to the NC Nongame and Endangered Wildlife Fund

A check will be issued if **any** of the following conditions exist:

- The refund cannot be direct deposited based upon the information provided (i.e. invalid routing number or invalid account number). This will delay the refund therefore, please verify banking information is correct before transmitting.
- Rejection by the financial institution
- Discretion of the Department of Revenue based upon a review of the tax return

Checks will be made payable to all taxpayers stated on the return and will be mailed to the address stated on the return. Therefore it's important to verify the current mailing address with the taxpayer. If the taxpayer (client) anticipates moving before the check is received, they must call NCDOR at 1-877-252-3052 to correct the address.

Some financial institutions do not permit the deposit of a joint refund into an individual account. NCDOR is not responsible if a direct deposit is rejected for this reason. Check or share draft accounts that are "payable through" another institution may not accept direct deposits. Taxpayers should verify the financial institution's policy on direct deposits before filing.

Acknowledgment

The North Carolina acknowledgment process will only indicate receipt of the e-filed return. The acknowledgment system will **not** provide proof that the direct deposit election was honored.

Eligibility Requirements

- The return must be e-filed by an approved ERO or online service provider.
- The return must be for the current filing tax year.
- The taxpayer must show the ERO acceptable proof-of-account from the financial institution that the taxpayer designates. Acceptable proof-of-account is a check, a bank statement or a form generated by the financial institution. A deposit slip is **not** an acceptable proof-of-account because it may contain internal routing numbers that are not part of the account number. The proof-of-account document must contain the following preprinted information:
    - Account name and address – name and address on the account as it appears on the records at the financial institution
    - Name of financial institution
    - Account number – maximum 17 numeric characters
    - Routing Transit Number (RTN) – must be 9 numeric characters
- The account designated to receive the direct deposit must be in the taxpayer's name.
- IRS Publication 1345, Handbook for Authorized IRS e-File Providers of Individual Income Tax Returns, sets forth detailed eligibility requirements, responsibilities, and instructions governing tax preparers, transmitters, and EROs who offer taxpayers the option of direct deposit. Those same rules, policies, and procedures apply when offering direct deposit on the State return.

Direct Deposit Responsibilities of an ERO

- Advise taxpayers of the option to receive their refund by direct deposit and ensure that the taxpayer is knowledgeable of all the general information regarding direct deposit.
- Accept direct deposit election to any eligible financial institution designated by the taxpayer.
- Ensure that taxpayers electing direct deposit meet the eligibility requirements listed under "Eligibility Requirements."
- Verify the direct deposit information is correct.
- Must never charge a separate fee for direct deposit.
- Inform the taxpayer that after an e-filed return has been accepted for processing and once the return is accepted by the IRS and by North Carolina:
    - the direct deposit election cannot be rescinded
    - the account number cannot be changed
    - the routing transit number cannot be changed
- Crosscheck bank account information with repeat clients. Some software maintains the previous year's data and reuses it unless it is changed.

Requirements for Direct Deposit

Direct deposit is **only** available for original returns submitted by electronic filing. The Federal/State cooperative e-File program does not allow Refund Anticipation Loans (RALs) on the North Carolina State refund. Refunds may not be deposited into a credit card account.

Direct deposit is **not** available for taxpayers requesting a direct deposit to or through a foreign financial institution. If you use a foreign financial institution you will be issued a paper check.

Note: The Department requires the Routing Transit Number, Depositor Account Number, and Type of Account screen to be entered twice to ensure accuracy.

Name of Financial Institution

A financial institution for the purposes of direct deposit of tax refunds is defined as a state or national bank (including the District of Columbia and political subdivisions of the 50 states), credit union, savings and loan association or mutual savings bank within the United States and established primarily for personal, family or household purposes. This field represents the name of the bank or financial institution to which the refund will be deposited.

Routing Transit Number

The routing transit number (RTN) is a valid number for the financial institution where the taxpayer's account is held. The RTN must contain nine (9) numeric characters. The RTN must be present on the Financial Organization Master File (FOMF) and the financial institution must process Electronic Funds Transfer (EFT). The RTN must be keyed as a nine-digit number containing no spaces or dashes. **Leave this field blank, no zeroes, if there is no direct deposit election.**

Depositor Account Number

The depositor account number or taxpayer bank account number must be alphanumeric (i.e. only alpha characters, numeric characters, and hyphens). The depositor account number must be entered exactly as it appears on the check or proof of account, without spaces. The maximum number of allowable characters is 17 positions and cannot equal all zeroes or all blanks. **Leave this field blank, no zeroes, if there is no direct deposit election.**

Type of Account

This field consists of alpha characters and is a required field, if the direct deposit election has been selected. The field indicates if the account is a checking or savings account. The values are "X" or blank. If the routing transit number is significant, then the checking account indicator or savings account indicator must equal "X." Both fields cannot equal "X."

When direct deposit information is present, the following fields **must** be provided: Routing Transit Number (RTN), Checking Account Indicator or Savings Account Indicator, and Depositor Account Number.

International ACH Transaction (IAT)

What is IAT?

IAT is the acronym for International ACH Transaction. IAT is an ACH entry that is part of a

payment transaction involving a financial agency that is not located in the territorial jurisdiction of the United States. A financial agency is an institution authorized by law to accept deposits, issue money orders or transfer funds.

Effective September 18, 2009, all international transactions made via the ACH Network will be required to use the IAT SEC code. This new rule applies to all ACH participants and will simplify the process of identifying international transactions by requiring that IAT entries include specific data elements defined by the Bank Secrecy Act's (BSA) "Travel Rule." The new rule will also define new parties to the IAT entry and re-define gateway operator obligations.

Non-Support of IAT Indicator Passing to NCDOR

NCDOR does not support the passing of the IAT Indicator for direct deposit of refund; therefore please reference the Financial Transactions schema to program your software per NCDOR specifications.

Frequently Asked Direct Deposit Questions

Can the State refund and the federal refund be deposited into a different account?
Yes, the State refund and the federal refund can be deposited into different accounts. A taxpayer may elect to have the State refund direct deposited even though the federal return may be a tax due or vice versa. In addition, the federal and state refunds can be deposited into the same account (checking or savings).

Will a notice be sent to the ERO or to the taxpayer on the status of the direct deposit?
No, a notice will not be sent to the ERO or to the taxpayer to confirm that the refund was deposited into an account. Also, the Department cannot guarantee a specific date that a refund will be deposited. Taxpayers may check the status of their refund by calling 1-877-252-4052 or by visiting NCDOR's website and clicking on the link "Where's My Refund?"

Can a refund be deposited into more than one account?
No, a refund can only be deposited into one account.

What are the benefits of direct deposit?
Eliminates the possibility of your refund check being lost, stolen, or returned due to incorrect address. Money will be deposited in your bank account much quicker than waiting on a paper check. (Please be sure to verify your bank account information)

Can the same bank account be used more than once?
There are no limitations on the number of deposits that can be made to one bank account. However, the Department reserves the right to issue a check in the event of an erroneous account or routing transit number, closed accounts, bank mergers, or for any other reason at the discretion of the Department.

Refund Inquiry

A taxpayer may inquire about the status of an income tax refund by calling 1-877-252-4052. When inquiring about the refund, the taxpayer should be prepared to provide his or her social security number, name and address, the North Carolina acknowledgment date and indicate that

the return was filed electronically. A taxpayer may also inquire about an individual income tax refund by accessing the "Where's My Refund?" feature on NCDOR's web site.

An ERO or transmitter may inquire about the receipt of an electronic return, reason for refund delay, and date refund check is issued if the ERO identifies himself/herself with their EFIN.

Refund Delays

Taxpayers may confirm acknowledgment of their North Carolina returns with their tax practitioner or ERO and are advised to wait six weeks from the date of acknowledgment before calling or writing NCDOR to inquire about the status of a refund check.

If a taxpayer and/or spouse owe money to the NCDOR, another State agency, or the IRS, the amount owed may be deducted from the refund. This debt **will delay** processing of the taxpayer's refund because all claims against the refund must be resolved before a refund check can be processed. The same policy applies for a paper return.

Chapter 16

BALANCE DUE RETURNS

The ERO is responsible for giving the taxpayer Form D-400V, Individual Income Payment Voucher and for instructing the taxpayer on submitting the voucher with payment on or before April 15. The taxpayer must remit payment for any tax due to the North Carolina Department of Revenue by the April 15 deadline to avoid all applicable penalties and interest.

E-Pay

In lieu of mailing a check or money order to the Department, a taxpayer can use the Department's Electronic Services to pay the tax due on an individual income tax return for the current year. Go to www.dornc.com and select Electronic Services to make an online payment.

Payments can be made online by bank draft and credit or debit card using MasterCard or Visa. There is no fee for choosing the bank draft method. There is a convenience fee for choosing to remit by credit/debit card. The fee is calculated as $2.00 for every $100.00 increment of the tax payment. The fee is automatically calculated and added to the tax payment amount to obtain the total amount to be charged to the taxpayer's credit/debit card account.

The taxpayer will need the following information to make an online payment:

- Social security number
- Spouse's social security number (if filing a joint return)
- Address
- Email address
- Telephone number
- Amount of payment

    - If making a payment by bank draft:
        - Bank account number
        - Bank routing number
        - Account type (checking or savings)
        - Date you want to make the payment

    - If making a payment by credit/debit card:
        - Credit/debit card number
        - Expiration date
        - Zip code as it appears on the credit/debit card statement

The taxpayer will be prompted through a series of screens that will require the taxpayer to complete a D-400V and furnish credit/debit card or bank draft account information. The taxpayer will be provided a confirmation page that contains a confirmation number. This page should be printed and saved for record keeping.

The taxpayer will receive an email message from the Department within two business days of submitting the payment information. The email contains the confirmation number and Document Locator Number (DLN). The taxpayer should retain both numbers for future reference. If assistance is needed, the taxpayer can contact the Electronic Services Help Line Monday through Friday between the hours of 8:00 am and 5:00 pm EST at 1-877-308-9103 or (919) 754-2444.

Form D-400V should be used only for the payment of tax owed on an original North Carolina individual income tax return for the current tax year. This payment voucher should **not** be used to pay estimated tax, tax owed on prior year returns, tax billed on assessment notices, or tax due on amended returns. All of these payment options can also be accessed on NCDOR's web site under Electronic Services for Individuals.

Chapter 17

TAX FRAUD

The Department is asking you to help identify individuals or businesses that do not file or pay state taxes (sales, income, withholding, etc.) or who file fraudulent tax returns. In addition, there have been instances of fraud identified in the Federal/State e-File Program. EROs can assist NCDOR in identifying potentially fraudulent returns before the Department receives them.

One way EROs can help is to verify the identity of taxpayers who want their returns filed electronically, especially if they are not regular clients. Request a picture ID and a second form of identification, such as a voter registration card, credit card or work pay stub. Some examples of potential fraudulent activities are:

- W-2s that are typed, handwritten, duplicated or have visible corrections
- W-2s from a company in the area that differs from other W-2s from the same company
- A suspicious-acting taxpayer or a suspicious person accompanying a taxpayer
- Multiple refunds to the same address or post office box
- Earnings, income and/or deductions that are not well documented
- Similar returns with the same amount of refund, same number of dependents and same number of W-2s

Transmitting fraudulent returns is against North Carolina Administrative Code .0118, Electronic Filing of Individual Income Tax Returns, and can cause suspension from the e-File program.

If you have any information that you wish to provide, please contact our Tax Fraud Hotline Monday through Friday between 8:00 am and 5:00 pm at 1-800-232-4939. The information that you provide and the source of the information will be kept confidential. The NCDOR appreciates your help!

APPENDIX

TAX RATE SCHEDULE FOR TAX YEAR 2013

Depending on your filing status and your taxable income, the North Carolina tax rate ranges from 6 to 7.75 percent. If your taxable income is less than $68,000, a tax table is provided in the instruction booklet beginning on page 22. To obtain a copy of the instruction booklet please call toll-free at 1-877-252-3052 or you may visit a service center or go to our Order Forms page. If your taxable income is $68,000 or more, determine your tax by using our tax calculator or by choosing the tax schedule listed below for your filing status.

If your filing status is single;

and taxable income is more than:	but not over:	your tax is:
$ 0	$12,750	6% OF THE AMOUNT ON LINE 17, FORM D-400
$12,750	$60,000	$765 + 7% OF THE AMOUNT OVER $12,750
$60,000	_____	$4,072.50 + 7.75% OF THE AMOUNT OVER $60,000

If your filing status is head of household;

and taxable income is more than:	but not over:	your tax is:
$ 0	$17,000	6% OF THE AMOUNT ON LINE 17, FORM D-400
$17,000	$80,000	$1,020 + 7% OF THE AMOUNT OVER $17,000
$80,000	_____	$5,430 + 7.75% OF THE AMOUNT OVER $80,000

If your filing status is married filing jointly or qualifying widow or widower;

and taxable income is more than:	but not over:	your tax is:
$ 0	$21,250	6% OF THE AMOUNT ON LINE 17, FORM D-400
$21,250	$100,000	$1,275 + 7% OF THE AMOUNT OVER $21,250
$100,000	_____	$6,787.50 + 7.75% OF THE AMOUNT OVER $100,000

If your filing status is married filing separately;

and taxable income is more than:	but not over:	your tax is:
$ 0	$10,625	6% OF THE AMOUNT ON LINE 17, FORM D-400
$10,625	$50,000	$637.50 + 7% OF THE AMOUNT OVER $10,625
$50,000	_____	$3,393.75 + 7.75% OF THE AMOUNT OVER $50,000

➡ Tax Calculator

NORTH CAROLINA COUNTY CODES

01 – Alamance	35 – Franklin	69 – Pamlico
02 – Alexander	36 – Gaston	70 – Pasquotank
03 – Alleghany	37 – Gates	71 – Pender
04 – Anson	38 – Graham	72 – Perquimans
05 – Ashe	39 – Granville	73 – Person
06 – Avery	40 – Greene	74 – Pitt
07 – Beaufort	41 – Guilford	75 – Polk
08 – Bertie	42 – Halifax	76 – Randolph
09 – Bladen	43 – Harnett	77 – Richmond
10 – Brunswick	44 – Haywood	78 – Robeson
11 – Buncombe	45 – Henderson	79 – Rockingham
12 – Burke	46 – Hertford	80 – Rowan
13 – Cabarrus	47 – Hoke	81 – Rutherford
14 – Caldwell	48 – Hyde	82 – Sampson
15 – Camden	49 – Iredell	83 – Scotland
16 – Carteret	50 – Jackson	84 – Stanly
17 – Caswell	51 – Johnston	85 – Stokes
18 – Catawba	52 – Jones	86 – Surry
19 – Chatham	53 – Lee	87 – Swain
20 – Cherokee	54 – Lenoir	88 – Transylvania
21 – Chowan	55 – Lincoln	89 – Tyrrell
22 – Clay	56 – Macon	90 – Union
23 – Cleveland	57 – Madison	91 – Vance
24 – Columbus	58 – Martin	92 – Wake
25 – Craven	59 – McDowell	93 – Warren
26 – Cumberland	60 – Mecklenburg	94 – Washington
27 – Currituck	61 – Mitchell	95 – Watauga
28 – Dare	62 – Montgomery	96 – Wayne
29 – Davidson	63 – Moore	97 – Wilkes
30 – Davie	64 – Nash	98 – Wilson
31 – Duplin	65 – New Hanover	99 – Yadkin
32 – Durham	66 – Northampton	100 – Yancey
33 – Edgecombe	67 – Onslow	101 – Foreign
34 – Forsyth	68 – Orange	

NC DEPARTMENT OF REVENUE
HOLIDAY SCHEDULE

2013 Holiday Schedule

Holiday	Observance Date	Day of Week
New Year's Day	January 1, 2013	Tuesday
Martin Luther King Jr.'s Birthday	January 21, 2013	Monday
Good Friday	March 29, 2013	Friday
Memorial Day	May 27, 2013	Monday
Independence Day	July 4, 2013	Thursday
Labor Day	September 2, 2013	Monday
Veteran's Day	November 11, 2013	Monday
Thanksgiving	November 28 & 29, 2013	Thursday & Friday
Christmas	December 24, 25 & 26, 2013	Tuesday, Wednesday, Thursday

2014 Holiday Schedule

Holiday	Observance Date	Day of Week
New Year's Day	January 1, 2014	Wednesday
Martin Luther King Jr.'s Birthday	January 20, 2014	Monday
Good Friday	April 18, 2014	Friday
Memorial Day	May 26, 2014	Monday
Independence Day	July 4, 2014	Friday
Labor Day	September 1, 2014	Monday
Veteran's Day	November 11, 2014	Tuesday
Thanksgiving	November 27 & 28, 2014	Thursday & Friday
Christmas	December 24, 25 & 26, 2014	Wednesday, Thursday, Friday