

North Carolina

Department of Revenue

**ATTENTION:**

**NEW NC-4 WITHHOLDING FORMS**

**ENCLOSED**

**IMMEDIATE  
ACTION  
REQUIRED**

**IMPORTANT NOTICE: NEW NC-4 REQUIRED FOR PAYMENTS BEGINNING  
JANUARY 1, 2014**

**TO: ALL EMPLOYERS and  
Payers of Pension, Annuity, and Deferred Compensation Plans**

The North Carolina General Assembly recently enacted House Bill 998 which becomes effective for taxable years beginning on or after January 1, 2014. Under this new law, taxpayers may no longer claim a personal exemption for themselves, their spouse, children, or any other qualifying dependents. Additionally, many deductions and tax credits that impact North Carolina withholding tax are no longer available for tax years beginning on or after January 1, 2014.

As a result of this Act, every employer must have all employees provide a new Employee's Withholding Allowance Certificate, either Form NC-4 EZ or Form NC-4. The new form must be completed by the employee and provided to the employer so the correct amount of State income tax is withheld for any payment periods beginning on or after January 1, 2014.

Please work with your employees to determine which form (Form NC-4 EZ or Form NC-4) is most suitable for their filing preference:

- **Form NC-4 EZ:** We anticipate this new, simpler form will likely suffice for most employees. Employees should use this form if they plan to claim the NC standard deduction and plan to claim no tax credits or only the credit for children, if they qualify to claim exempt status, or if they prefer not completing the extended Form NC-4. Employees should understand Form NC-4 EZ can still be used even if they plan to itemize deductions for their tax filing.
- **Form NC-4:** Extended withholding form which may provide more precise withholding figures, but will require historical tax return information and estimation of 2014 income, deductions, and credits from the employee.

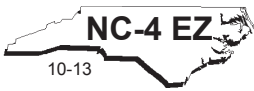
Likewise, all recipients of pension or annuity payments must complete and provide to their payer a new Withholding Certificate for Pension or Annuity Payments, Form NC-4P, in order to withhold the correct amount of State income tax for any pension payment periods beginning on or after January 1, 2014.

If an employee fails to provide the employer with the applicable updated form(s), the employer is required to withhold North Carolina tax based on the following status:

- Employees failing to file Form NC-4 EZ or Form NC-4: **“Single” with no allowances**
- Pension Recipients failing to file Form NC-4P: **“Married” with three allowances**

If an automated payroll system is being used to calculate the amount of North Carolina income tax to be withheld, implementation of the new tax rate (5.8 percent in 2014) may be accomplished by using one of the enclosed methods for calculating the amount of tax to be withheld.

Copies of the forms, as well as instructional materials to assist employers through the process, are available at [www.dorncc.com](http://www.dorncc.com). If employers require additional assistance, please call the Department of Revenue at 1-877-252-4487. This special telephone number will be available through February 28, 2014.



# Employee's Withholding Allowance Certificate

North Carolina Department of Revenue

Social Security Number \_\_\_\_\_ Marital Status \_\_\_\_\_  
 \_\_\_\_\_ Single \_\_\_\_\_ Head of Household \_\_\_\_\_ Married or Qualifying Widow(er)

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

Address \_\_\_\_\_ County (Enter first five letters) \_\_\_\_\_

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

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

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

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

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

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

Single & Married Filing Separately			Married Filing Jointly & Qualifying Widow(er)			Head of Household																										
Income	# of Children under age 17		Income	# of Children under age 17		Income	# of Children under age 17																									
	1	2	3	4	5	6	7	8	9	10		1	2	3	4	5	6	7	8	9	10		1	2	3	4	5	6	7	8	9	10
	# of Allowances			# of Allowances			# of Allowances			# of Allowances																						
0-20,000	0	1	2	3	4	5	6	6	7	8	0-40,000	0	1	2	3	4	5	6	6	7	8	0-32,000	0	1	2	3	4	5	6	6	7	8
20,001-50,000	0	1	2	2	3	4	4	5	6	6	40,001-100,000	0	1	2	2	3	4	4	5	6	6	32,001-80,000	0	1	2	2	3	4	4	5	6	6

1. Total number of allowances you are claiming for 2014 (Enter zero (0), or the number of allowances from the table above) \_\_\_\_\_

2. Additional amount, if any, withheld from each pay period (Enter whole dollars) \_\_\_\_\_ .00

3. I certify that I am exempt from North Carolina withholding because I meet both of the following conditions:

- Last year I was entitled to a refund of all State income tax withheld because I had no tax liability; and Check Here
- For tax year 2014, I expect a refund of all State income tax withheld because I expect to have no tax liability

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

If line 3 or line 4 above applies to you, enter the effective year 20 \_\_\_\_\_

5. I certify that I no longer meet the requirements for exemption on line 3  or line 4  (Check applicable box)

Therefore, I revoke my exemption and request that my employer withhold North Carolina income tax based on the number of allowances entered on line 1 and any amount entered on line 2. Check Here

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

Employee's Signature \_\_\_\_\_ Date \_\_\_\_\_

I certify, under penalties provided by law, that I am entitled to the number of withholding allowances claimed on line 1 above, or if claiming exemption from withholding, that I am entitled to claim the exempt status on line 3 or 4, whichever applies.





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

For tax year 2014, answer **all** of the following questions **for your filing status**. Because N.C. does not recognize same-sex marriages, same-sex couples who file married for federal purposes must complete this worksheet as single, or if qualified, head of household or qualifying widow(er).

**Single -**

1. Will your N.C. itemized deductions from Page 3, Schedule 1 exceed \$10,000?      Yes       No
2. Will you have adjustments or deductions from income from Page 3, Schedule 2?      Yes       No
3. Will you be able to claim any N.C. tax credits or tax credit carryovers from Page 4, Schedule 4?      Yes       No

If you answered "No" to all of the above, **STOP HERE** and enter **ZERO (0)** as total allowances on Form NC-4, Line 1. If you answered "Yes" to any of the above, you may choose to go to Page 2, Part II to determine if you qualify for additional allowances. Otherwise, enter **ZERO (0)** on Form NC-4, Line 1.

**Married Filing Jointly -**

1. Will your N.C. itemized deductions from Page 3, Schedule 1 exceed \$17,500?      Yes       No
2. Will you have adjustments or deductions from income from Page 3, Schedule 2?      Yes       No
3. Will you be able to claim any N.C. tax credits or tax credit carryovers from Page 4, Schedule 4?      Yes       No
4. Will your spouse receive combined wages and taxable pensions of less than \$5,000 or only retirement benefits not subject to N.C. income tax?      Yes       No

If you answered "No" to all of the above, **STOP HERE** and enter **ZERO (0)** as total allowances on Form NC-4, Line 1. If you answered "Yes" to any of the above, you may choose to go to Page 2, Part II to determine if you qualify for additional allowances. Otherwise, enter **ZERO (0)** on Form NC-4, Line 1.

**Married Filing Separately -**

1. Will your portion of N.C. itemized deductions from Page 3, Schedule 1 exceed \$10,000?      Yes       No
2. Will you have adjustments or deductions from income from Page 3, Schedule 2?      Yes       No
3. Will you be able to claim any N.C. tax credits or tax credit carryovers from Page 4, Schedule 4?      Yes       No

If you answered "No" to all of the above, **STOP HERE** and enter **ZERO (0)** as total allowances on Form NC-4, Line 1. If you answered "Yes" to any of the above, you may choose to go to Page 2, Part II to determine if you qualify for additional allowances. Otherwise, enter **ZERO (0)** on Form NC-4, Line 1.

**Head of Household-**

1. Will your N.C. itemized deductions from Page 3, Schedule 1 exceed \$14,500?      Yes       No
2. Will you have adjustments or deductions from income from Page 3, Schedule 2?      Yes       No
3. Will you be able to claim any N.C. tax credits or tax credit carryovers from Page 4, Schedule 4?      Yes       No

If you answered "No" to all of the above, **STOP HERE** and enter **ZERO (0)** as total allowances on Form NC-4, Line 1. If you answered "Yes" to any of the above, you may choose to go to Page 2, Part II to determine if you qualify for additional allowances. Otherwise, enter **ZERO (0)** on Form NC-4, Line 1.

# NC-4 Allowance Worksheet

## Qualifying Widow(er) -

- |   |                              |                             |
|---|------------------------------|-----------------------------|
| 1. Will your N.C. itemized deductions from Page 3, Schedule 1 exceed \$17,500?                      | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 2. Will you have adjustments or deductions from income from Page 3, Schedule 2?                     | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 3. Will you be able to claim any N.C. tax credits or tax credit carryovers from Page 4, Schedule 4? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

If you answered "No" to all of the above, **STOP HERE** and enter **THREE (3)** as total allowances on Form NC-4, Line 1. If you answered "Yes" to any of the above, you may choose to go to Part II to determine if you qualify for additional allowances. Otherwise, enter **THREE (3)** on Form NC-4, Line 1.

## NC-4 Part II

- |  |     |            |
|--|-----|------------|
| 1. Enter your total estimated 2014 N.C. itemized deductions from Page 3, Schedule 1 .....  | 1.  | \$ _____ . |
| 2. Enter the applicable N.C. standard deduction based on your filing status. <span style="font-size: 2em; vertical-align: middle;">}</span> \$ 7,500 if single<br>\$15,000 if married filing jointly or qualifying widow(er)<br>\$ 7,500 if married filing separately<br>\$12,000 if head of household ..... | 2.  | \$ _____ . |
| 3. Subtract line 2 from line 1. If line 1 is less than line 2, enter ZERO (0) .....  | 3.  | \$ _____ . |
| 4. Enter an estimate of your total 2014 federal adjustments to income and State deductions from federal adjusted gross income from Page 3, Schedule 2 .....  | 4.  | \$ _____ . |
| 5. Add lines 3 and 4 .....   | 5.  | \$ _____ . |
| 6. Enter an estimate of your 2014 nonwage income (such as dividends or interest) ... 6.  | 6.  | \$ _____ . |
| 7. Enter an estimate of your 2014 State additions to federal adjusted gross income from Page 3, Schedule 3 .....   | 7.  | \$ _____ . |
| 8. Add lines 6 and 7 .....   | 8.  | \$ _____ . |
| 9. Subtract line 8 from line 5 ( <i>Do not enter less than zero</i> ) .....  | 9.  | \$ _____ . |
| 10. Divide the amount on line 9 by \$2,500 . Round down to whole number .....  | 10. | _____      |
| Ex. $\$3,900 \div \$2,500 = 1.56$ rounds down to 1   |     |            |
| 11. Enter the amount of your estimated N.C. tax credits from Page 4, Schedule 4 .. 11.   | 11. | \$ _____ . |
| 12. Divide the amount on line 11 by \$145. Round down to whole number .....  | 12. | _____      |
| Ex. $\$200 \div \$145 = 1.38$ rounds down to 1   |     |            |
| 13. If filing as single, head of household, or married filing separately, enter zero (0) on this line.<br>If filing as qualifying widow(er), enter 3.<br>If filing as married filing jointly, enter the appropriate number from either (a), (b), (c), or (d) below.  |     |            |
| (a) Your spouse expects to have zero wages and expects to receive retirement benefits that will all be nontaxable for N.C. purposes, enter 3. (Nontaxable retirement benefits include: <i>Bailey</i> , Social Security, and Railroad retirement)   |     |            |
| (b) Your spouse expects to have combined wages and taxable pensions of more than \$1, but less than \$2,500, enter 2.  |     |            |
| (c) Your spouse expects to have combined wages and taxable pensions of more than \$2,500 but less than \$5,000, enter 1.   |     |            |
| (d) Your spouse expects to have combined wages and taxable pensions of more than \$5,000, enter 0 .....  | 13. | _____      |
| 14. Add lines 10, 12, and 13, and enter the total here .....   | 14. | _____      |
| 15. If you completed this worksheet on the basis of married filing jointly, the total number of allowances determined on line 14 may be split between both spouses, however, they so choose. Enter the number of allowances from line 14 that your spouse plans to claim .....                               | 15. | _____      |
| 16. Subtract line 15 from line 14 and enter the total number of allowances here and on line 1 of your <b>Form NC-4, Employee's Withholding Allowance Certificate</b> .....   | 16. | _____      |

# NC-4 Allowance Worksheet Schedules

**Important: If you cannot reasonably estimate the amount to enter in the schedules below, you should enter ZERO (0) on line 1, NC-4.**

## Schedule 1

### Estimated 2014 N.C. Itemized Deductions

Qualifying mortgage interest	\$ _____	
Real estate property taxes	\$ _____	
Total qualifying mortgage interest and real estate property taxes*		\$ _____
Charitable Contributions (Same as allowed for federal purposes)		\$ _____
Total estimated N.C. itemized deductions. Enter on Page 2, Part II, Line 1		\$ _____

\*The sum of your qualified mortgage interest and real estate property taxes may not exceed \$20,000. For married taxpayers, the \$20,000 limitation applies to the combined total of qualified mortgage interest and real estate property taxes claimed by both spouses, rather than to each spouse separately.

## Schedule 2

### Estimated 2014 Federal Adjustments to Income

Federal adjustments to income are the amounts that are deducted from total income claimed on your federal return. Adjustments to income may include:

Health savings account deduction	\$ _____	
Moving expenses	\$ _____	
Alimony paid	\$ _____	
IRA deduction	\$ _____	
Student loan interest deduction	\$ _____	
Certain business expenses of reservists, performing artist, and fee-basis governmental officials	\$ _____	
Total Federal Adjustments to Income		\$ _____

### Estimated 2014 State Deductions from Federal Adjusted Gross Income to Consider for NC-4 Purposes

20% of prior bonus depreciation addback	\$ _____	
20% of prior section 179 addback	\$ _____	
Amount by which North Carolina basis of property exceeds federal basis of property - in year taxpayer disposes of property	\$ _____	
Total State Deductions from Federal Adjusted Gross Income		\$ _____

**(Do not consider any amount of the portion of Bailey Retirement Benefits, Social Security Benefits, or Railroad Retirement Benefits included in Adjusted Gross Income.)**

Total Federal Adjustments to Income and State Deductions from Federal Adjusted Gross Income. Enter on Page 2, Part II, Line 4 \$ \_\_\_\_\_

## Schedule 3

### Estimated 2014 State Additions to Federal Adjusted Gross Income to Consider for NC-4 Purposes

Shareholder's share of built-in gains tax that the S corporation paid for federal income tax purposes	\$ _____	
Amount by which federal basis of property exceeds NC basis of property - in year taxpayer disposes of property	\$ _____	
Amount of gross income from domestic production activities that a taxpayer excludes from gross income under section 199 of the Internal Revenue Code	\$ _____	
Total State Additions to Federal Adjusted Gross Income. Enter on Page 2, Part II, Line 7		\$ _____

# NC-4 Allowance Worksheet Schedules

## Schedule 4

### Estimated 2014 N.C. Tax Credits

Tax Credit for Income Taxes Paid to Other States by Individuals \$ \_\_\_\_\_ .

#### Credit for Children

A taxpayer who is allowed a federal child tax credit under section 24 of the Internal Revenue Code is allowed a tax credit for each dependent child unless adjusted gross income exceeds the threshold amount shown below. The credit can be claimed only for a child who is under 17 years of age on the last day of the year.

Filing Status	Adjusted Gross Income	No. of Children	Credit Amount per Qualifying Child	Estimated Credit
Single	Up to \$20,000	_____	\$125	\$ _____ .
	Over \$20,000 and up to \$50,000	_____	\$100	\$ _____ .
	Over \$50,000	_____	\$0	\$ _____ .
Married Filing Jointly or Qualifying Widow(er)	Up to \$40,000	_____	\$125	\$ _____ .
	Over \$40,000 and up to \$100,000	_____	\$100	\$ _____ .
	Over \$100,000	_____	\$0	\$ _____ .
Head of Household	Up to \$32,000	_____	\$125	\$ _____ .
	Over \$32,000 and up to \$80,000	_____	\$100	\$ _____ .
	Over \$80,000	_____	\$0	\$ _____ .
Married Filing Separately	Up to \$20,000	_____	\$125	\$ _____ .
	Over \$20,000 and up to \$50,000	_____	\$100	\$ _____ .
	Over \$50,000	_____	\$0	\$ _____ .

#### Additional Tax Credits and Carryovers

G.S. 105-129.16A, Credit for Investing in Renewable Energy Property	\$ _____ .
G.S. 105-129.16H, Credit for Donating Funds to a Nonprofit Organization or Unit of State or Local Government to Enable the Nonprofit or Government Unit to Acquire Renewable Energy Property	\$ _____ .
G.S. 105-151.29, Credit for Qualifying Expenses of a Production Company	\$ _____ .
G.S. 105-129.35, Credit for Rehabilitating Income-Producing Historic Structure	\$ _____ .
G.S. 105-129.36, Credit for Rehabilitating Nonincome Producing Historic Structure	\$ _____ .
G.S. 105-129.42, Credit for Low-Income Housing Awarded a Federal Credit Allocated on or after January 1, 2003	\$ _____ .
G.S. 105-129.55, Credit for North Carolina Research & Development	\$ _____ .
G.S. 105-129.71, Credit for Income Producing Rehabilitated Mill Property	\$ _____ .
G.S. 105-129.72, Credit for Non-income Producing Rehabilitated Mill Property	\$ _____ .
G.S. 105-129.96, Credit for Constructing a Railroad Intermodal Facility	\$ _____ .
G.S. 105-163.011, Tax Credits for Qualifying Business Investments	\$ _____ .
Tax Credit Carryover from previous years	\$ _____ .
<b>Total Tax Credits and Carryovers. Enter on Page 2, Part II, Line 11</b>	<b>\$ _____ .</b>

## Multiple Jobs Table

Find the amount of your estimated annual wages from your lowest paying job(s) in the left hand column. Follow across to find the amount of additional tax to be withheld for each pay period. Enter the additional amount to be withheld on line 2 of your **Form NC-4 EZ/NC-4**.

### Additional Withholding for Single, Married, or Qualifying Widow(er) with Multiple Jobs

Estimated Annual Wages		Payroll Period			
At Least	But Less Than	Monthly	Semimonthly	Biweekly	Weekly
0	1000	2.00	1.00	1.00	1.00
1000	2000	7.00	4.00	3.00	2.00
2000	3000	12.00	6.00	6.00	3.00
3000	4000	17.00	8.00	8.00	4.00
4000	5000	22.00	11.00	10.00	5.00
5000	6000	27.00	13.00	12.00	6.00
6000	7000	31.00	16.00	15.00	7.00
7000	Unlimited	36.00	18.00	17.00	8.00

### Additional Withholding for Head of Household Filers with Multiple Jobs

Estimated Annual Wages		Payroll Period			
At Least	But Less Than	Monthly	Semimonthly	Biweekly	Weekly
0	1000	2.00	1.00	1.00	1.00
1000	2000	7.00	4.00	3.00	2.00
2000	3000	12.00	6.00	6.00	3.00
3000	4000	17.00	8.00	8.00	4.00
4000	5000	22.00	11.00	10.00	5.00
5000	6000	27.00	13.00	12.00	6.00
6000	7000	31.00	16.00	15.00	7.00
7000	8000	36.00	18.00	17.00	8.00
8000	9000	41.00	21.00	19.00	9.00
9000	10000	46.00	23.00	21.00	11.00
10000	11000	51.00	25.00	23.00	12.00
11000	12000	56.00	28.00	26.00	13.00
12000	Unlimited	58.00	29.00	27.00	13.00



# Withholding Certificate for Pension or Annuity Payments

North Carolina Department of Revenue

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

**PURPOSE.** Form NC-4P is for North Carolina residents who are recipients of income from pensions, annuities, and certain other deferred compensation plans. Use the form to tell payers whether you want any State income tax withheld and on what basis. You can also use the form to choose not to have State income tax withheld. However, you cannot make this choice for eligible rollover distributions. The method and rate of withholding depends on whether the payment you receive is a periodic payment or a nonperiodic distribution. This form is also to be used by a nonresident with a North Carolina address to indicate that no tax is to be withheld from pension payments.

**Caution:** If you furnish a pension payer a *Withholding Certificate for Pension or Annuity Payments* that contains information which has no reasonable basis and results in a lesser amount of tax being withheld than would have been withheld had you furnished reasonable information, you are subject to a penalty of 50% of the amount not properly withheld. You may be subject to interest for underpayment of estimated income tax, that applies for not paying enough tax during the year, either through withholding or estimated tax payments. New retirees should see Form NC-40, Individual Estimated Income Tax, for details on the estimated income tax requirements. You may be able to avoid quarterly estimated income tax payments by having enough tax withheld from your pension or annuity using Form NC-4P.

**PERIODIC PAYMENTS.** Withholding from periodic payments of a pension or annuity is figured in the same manner as withholding from wages. Periodic payments are made in installments at regular intervals over a period of more than one year. They may be paid annually, quarterly, monthly, etc. If you want State income tax withheld, you should complete the **Form NC-4P Allowance Worksheet**. You can designate an additional amount to be withheld on line 3 of Form NC-4P. Submit the completed form to your payer. If you do not submit Form NC-4P to your payer, the payer must withhold on periodic payments as if you are married claiming three withholding allowances.

For periodic payments, your Form NC-4P stays in effect until you change or revoke it. Your payer must notify you each year of your right to choose not to have State income tax withheld or to revoke your election.

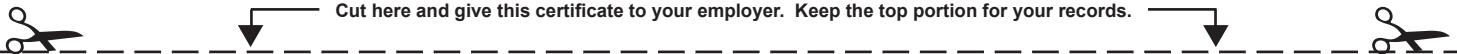
**NONPERIODIC DISTRIBUTIONS - 4% WITHHOLDING.** Your payer must withhold a flat 4% from a nonperiodic distribution unless you choose not to have income tax withheld. A nonperiodic distribution means any distribution which is not a periodic payment. (The 4% withholding is required on eligible rollover distributions and you cannot choose not to have income tax withheld from those distributions.) Distributions from an IRA that are payable on demand are treated as nonperiodic distributions. The election to withhold

from nonperiodic distributions applies on a distribution by distribution basis. If you choose not to have tax withheld from a nonperiodic distribution, you should check the box on line 1 of Form NC-4P and submit the completed form to your payer.

**MISSING OR INCORRECT TAXPAYER IDENTIFICATION NUMBER.** If you submit an NC-4P that does not contain the taxpayer identification number, or if the identification number is incorrect, the payer cannot honor your request not to have income tax withheld. The payer must withhold on periodic payments as if you are married claiming three withholding allowances. Withholding on nonperiodic distributions will be at the 4% rate.

**REVOKING YOUR "NO WITHHOLDING" CHOICE.** If you previously chose not to have State income tax withheld on either periodic or nonperiodic payments, complete another NC-4P and submit to your payer. Write "Revoked" next to the check box on line 1 of the form and tax will be withheld at the rate set by law.

**IMPORTANT.** Government retirees whose income is exempt from State tax as a result of the *Bailey Settlement* should choose no withholding by checking the box on line 1 of Form NC-4P.



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

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

Type or print your first name and middle initial		Last name	Your social security number
Home address (number and street or rural route)		Claim or identification number (if any) of your pension or annuity contract	
City or town, state, and ZIP code			

**Complete the following applicable lines:**

- 1 Check here if you do not want any State income tax withheld from your pension or annuity. (Do not complete lines 2 or 3.)
- 2 Total number of allowances you are claiming for withholding from each **periodic** pension or annuity payment. (You may also designate an additional dollar amount on line 3.) .....
- 3 Additional amount, if any, you want withheld from each pension or annuity payment. **Note:** For periodic payments you cannot enter an amount here without entering the number (including zero) of allowances on line 2 ..... \$

Your Signature  Date



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

For tax year 2014, answer **all** of the following questions **for your filing status**. Because N.C. does not recognize same-sex marriages, same-sex couples who file married for federal purposes must complete this worksheet as single, or if qualified, head of household or qualifying widow(er).

**Single -**

1. Will your N.C. itemized deductions from Page 3, Schedule 1 exceed \$10,000?      Yes       No
2. Will you have adjustments or deductions from income from Page 3, Schedule 2?      Yes       No
3. Will you be able to claim any N.C. tax credits or tax credit carryovers from Page 4, Schedule 4?      Yes       No

If you answered "No" to all of the above, **STOP HERE** and enter **ZERO (0)** as total allowances on Form NC-4P, Line 2. If you answered "Yes" to any of the above, you may choose to go to Page 2, Part II to determine if you qualify for additional allowances. Otherwise, enter **ZERO (0)** on Form NC-4P, Line 2.

**Married Filing Jointly -**

1. Will your N.C. itemized deductions from Page 3, Schedule 1 exceed \$17,500?      Yes       No
2. Will you have adjustments or deductions from income from Page 3, Schedule 2?      Yes       No
3. Will you be able to claim any N.C. tax credits or tax credit carryovers from Page 4, Schedule 4?      Yes       No
4. Will your spouse receive combined wages and taxable pensions of less than \$5,000 or only retirement benefits not subject to N.C. income tax?      Yes       No

If you answered "No" to all of the above, **STOP HERE** and enter **ZERO (0)** as total allowances on Form NC-4P, Line 2. If you answered "Yes" to any of the above, you may choose to go to Page 2, Part II to determine if you qualify for additional allowances. Otherwise, enter **ZERO (0)** on Form NC-4P, Line 2.

**Married Filing Separately -**

1. Will your portion of N.C. itemized deductions from Page 3, Schedule 1 exceed \$10,000?      Yes       No
2. Will you have adjustments or deductions from income from Page 3, Schedule 2?      Yes       No
3. Will you be able to claim any N.C. tax credits or tax credit carryovers from Page 4, Schedule 4?      Yes       No

If you answered "No" to all of the above, **STOP HERE** and enter **ZERO (0)** as total allowances on Form NC-4P, Line 2. If you answered "Yes" to any of the above, you may choose to go to Page 2, Part II to determine if you qualify for additional allowances. Otherwise, enter **ZERO (0)** on Form NC-4P, Line 2.

**Head of Household-**

1. Will your N.C. itemized deductions from Page 3, Schedule 1 exceed \$14,500?      Yes       No
2. Will you have adjustments or deductions from income from Page 3, Schedule 2?      Yes       No
3. Will you be able to claim any N.C. tax credits or tax credit carryovers from Page 4, Schedule 4?      Yes       No

If you answered "No" to all of the above, **STOP HERE** and enter **ZERO (0)** as total allowances on Form NC-4P, Line 2. If you answered "Yes" to any of the above, you may choose to go to Page 2, Part II to determine if you qualify for additional allowances. Otherwise, enter **ZERO (0)** on Form NC-4P, Line 2.

# NC-4P Allowance Worksheet

## Qualifying Widow(er) -

- |   |                              |                             |
|---|------------------------------|-----------------------------|
| 1. Will your N.C. itemized deductions from Page 3, Schedule 1 exceed \$17,500?                      | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 2. Will you have adjustments or deductions from income from Page 3, Schedule 2?                     | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 3. Will you be able to claim any N.C. tax credits or tax credit carryovers from Page 4, Schedule 4? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

If you answered "No" to all of the above, **STOP HERE** and enter **THREE (3)** as total allowances on Form NC-4P, Line 2. If you answered "Yes" to any of the above, you may choose to go to Part II to determine if you qualify for additional allowances. Otherwise, enter **THREE (3)** on Form NC-4P, Line 2.

## NC-4P Part II

- |  |     |            |
|--|-----|------------|
| 1. Enter your total estimated 2014 N.C. itemized deductions from Page 3, Schedule 1 .....  | 1.  | \$ _____ . |
| 2. Enter the applicable N.C. standard deduction based on your filing status. <span style="font-size: 2em; vertical-align: middle;">}</span> \$ 7,500 if single<br>\$15,000 if married filing jointly or qualifying widow(er)<br>\$ 7,500 if married filing separately<br>\$12,000 if head of household ..... | 2.  | \$ _____ . |
| 3. Subtract line 2 from line 1. If line 1 is less than line 2, enter ZERO (0) .....  | 3.  | \$ _____ . |
| 4. Enter an estimate of your total 2014 federal adjustments to income and State deductions from federal adjusted gross income from Page 3, Schedule 2 .....  | 4.  | \$ _____ . |
| 5. Add lines 3 and 4 .....   | 5.  | \$ _____ . |
| 6. Enter an estimate of your 2014 nonwage income (such as dividends or interest) ... 6.  | 6.  | \$ _____ . |
| 7. Enter an estimate of your 2014 State additions to federal adjusted gross income from Page 3, Schedule 3 .....   | 7.  | \$ _____ . |
| 8. Add lines 6 and 7 .....   | 8.  | \$ _____ . |
| 9. Subtract line 8 from line 5 ( <i>Do not enter less than zero</i> ) .....  | 9.  | \$ _____ . |
| 10. Divide the amount on line 9 by \$2,500 . Round down to whole number .....  | 10. | _____      |
| Ex. \$3,900 ÷ \$2,500 = 1.56 rounds down to 1  |     |            |
| 11. Enter the amount of your estimated N.C. tax credits from Page 4, Schedule 4 .. 11.   | 11. | \$ _____ . |
| 12. Divide the amount on line 11 by \$145. Round down to whole number .....  | 12. | _____      |
| Ex. \$200 ÷ \$145 = 1.38 rounds down to 1  |     |            |
| 13. If filing as single, head of household, or married filing separately, enter zero (0) on this line.<br>If filing as qualifying widow(er), enter 3.<br>If filing as married filing jointly, enter the appropriate number from either (a), (b), (c), or (d) below.  |     |            |
| (a) Your spouse expects to have zero wages and expects to receive retirement benefits that will all be nontaxable for N.C. purposes, enter 3. (Nontaxable retirement benefits include: <i>Bailey</i> , Social Security, and Railroad retirement)   |     |            |
| (b) Your spouse expects to have combined wages and taxable pensions of more than \$1, but less than \$2,500, enter 2.  |     |            |
| (c) Your spouse expects to have combined wages and taxable pensions of more than \$2,500 but less than \$5,000, enter 1.   |     |            |
| (d) Your spouse expects to have combined wages and taxable pensions of more than \$5,000, enter 0 .....  | 13. | _____      |
| 14. Add lines 10, 12, and 13, and enter the total here .....   | 14. | _____      |
| 15. If you completed this worksheet on the basis of married filing jointly, the total number of allowances determined on line 14 may be split between both spouses, however, they so choose. Enter the number of allowances from line 14 that your spouse plans to claim .....                               | 15. | _____      |
| 16. Subtract line 15 from line 14 and enter the total number of allowances here and on line 2 of your <b>Form NC-4P, Withholding Certificate for Pension or Annuity Payments</b> .....   | 16. | _____      |

# NC-4P Allowance Worksheet Schedules

**Important: If you cannot reasonably estimate the amount to enter in the schedules below, you should enter ZERO (0) on line 2, NC-4P.**

## Schedule 1

### Estimated 2014 N.C. Itemized Deductions

Qualifying mortgage interest	\$ _____	
Real estate property taxes	\$ _____	
Total qualifying mortgage interest and real estate property taxes*		\$ _____
Charitable Contributions (Same as allowed for federal purposes)		\$ _____
Total estimated N.C. itemized deductions. Enter on Page 2, Part II, Line 1		\$ _____

\*The sum of your qualified mortgage interest and real estate property taxes may not exceed \$20,000. For married taxpayers, the \$20,000 limitation applies to the combined total of qualified mortgage interest and real estate property taxes claimed by both spouses, rather than to each spouse separately.

## Schedule 2

### Estimated 2014 Federal Adjustments to Income

Federal adjustments to income are the amounts that are deducted from total income claimed on your federal return. Adjustments to income may include:

Health savings account deduction	\$ _____	
Moving expenses	\$ _____	
Alimony paid	\$ _____	
IRA deduction	\$ _____	
Student loan interest deduction	\$ _____	
Certain business expenses of reservists, performing artist, and fee-basis governmental officials	\$ _____	
Total Federal Adjustments to Income		\$ _____

### Estimated 2014 State Deductions from Federal Adjusted Gross Income to Consider for NC-4P Purposes

20% of prior bonus depreciation addback	\$ _____	
20% of prior section 179 addback	\$ _____	
Amount by which North Carolina basis of property exceeds federal basis of property - in year taxpayer disposes of property	\$ _____	
Total State Deductions from Federal Adjusted Gross Income		\$ _____

**(Do not consider any amount of the portion of Bailey Retirement Benefits, Social Security Benefits, or Railroad Retirement Benefits included in Adjusted Gross Income.)**

Total Federal Adjustments to Income and State Deductions from Federal Adjusted Gross Income. Enter on Page 2, Part II, Line 4 \$ \_\_\_\_\_

## Schedule 3

### Estimated 2014 State Additions to Federal Adjusted Gross Income to Consider for NC-4P Purposes

Shareholder's share of built-in gains tax that the S corporation paid for federal income tax purposes	\$ _____	
Amount by which federal basis of property exceeds NC basis of property - in year taxpayer disposes of property	\$ _____	
Amount of gross income from domestic production activities that a taxpayer excludes from gross income under section 199 of the Internal Revenue Code	\$ _____	
Total State Additions to Federal Adjusted Gross Income. Enter on Page 2, Part II, Line 7		\$ _____

# NC-4P Allowance Worksheet Schedules

**Schedule 4**

**Estimated 2014 N.C. Tax Credits**

Tax Credit for Income Taxes Paid to Other States by Individuals \$ \_\_\_\_\_ .

**Credit for Children**

A taxpayer who is allowed a federal child tax credit under section 24 of the Internal Revenue Code is allowed a tax credit for each dependent child unless adjusted gross income exceeds the threshold amount shown below. The credit can be claimed only for a child who is under 17 years of age on the last day of the year.

Filing Status	Adjusted Gross Income	No. of Children	Credit Amount per Qualifying Child	Estimated Credit
Single	Up to \$20,000	_____	\$125	\$ _____ .
	Over \$20,000 and up to \$50,000	_____	\$100	\$ _____ .
	Over \$50,000	_____	\$0	\$ _____ .
Married Filing Jointly or Qualifying Widow(er)	Up to \$40,000	_____	\$125	\$ _____ .
	Over \$40,000 and up to \$100,000	_____	\$100	\$ _____ .
	Over \$100,000	_____	\$0	\$ _____ .
Head of Household	Up to \$32,000	_____	\$125	\$ _____ .
	Over \$32,000 and up to \$80,000	_____	\$100	\$ _____ .
	Over \$80,000	_____	\$0	\$ _____ .
Married Filing Separately	Up to \$20,000	_____	\$125	\$ _____ .
	Over \$20,000 and up to \$50,000	_____	\$100	\$ _____ .
	Over \$50,000	_____	\$0	\$ _____ .

**Additional Tax Credits and Carryovers**

G.S. 105-129.16A, Credit for Investing in Renewable Energy Property	\$ _____ .
G.S. 105-129.16H, Credit for Donating Funds to a Nonprofit Organization or Unit of State or Local Government to Enable the Nonprofit or Government Unit to Acquire Renewable Energy Property	\$ _____ .
G.S. 105-151.29, Credit for Qualifying Expenses of a Production Company	\$ _____ .
G.S. 105-129.35, Credit for Rehabilitating Income-Producing Historic Structure	\$ _____ .
G.S. 105-129.36, Credit for Rehabilitating Nonincome Producing Historic Structure	\$ _____ .
G.S. 105-129.42, Credit for Low-Income Housing Awarded a Federal Credit Allocated on or after January 1, 2003	\$ _____ .
G.S. 105-129.55, Credit for North Carolina Research & Development	\$ _____ .
G.S. 105-129.71, Credit for Income Producing Rehabilitated Mill Property	\$ _____ .
G.S. 105-129.72, Credit for Non-income Producing Rehabilitated Mill Property	\$ _____ .
G.S. 105-129.96, Credit for Constructing a Railroad Intermodal Facility	\$ _____ .
G.S. 105-163.011, Tax Credits for Qualifying Business Investments	\$ _____ .
Tax Credit Carryover from previous years	\$ _____ .
<b>Total Tax Credits and Carryovers. Enter on Page 2, Part II, Line 11</b>	<b>\$ _____ .</b>

# Methods of Computing North Carolina Income Tax Withholding

## Percentage Method - Formula Tables for Percentage Method Withholding Computations

(Round off the final result of calculations to the nearest whole dollar.)

### Weekly Payroll Period

#### Single Person, Married Person, or Qualifying Widow(er)

1. Enter weekly wages \_\_\_\_\_
2. Weekly portion of standard deduction \$144.23 \_\_\_\_\_
3. Multiply the number of allowances by \$48.08 \_\_\_\_\_
4. Add lines 2 and 3 \_\_\_\_\_
5. Net weekly wages. Subtract line 4 from line 1 \_\_\_\_\_
6. Tax to be withheld. Multiply line 5 by .058 \_\_\_\_\_

### Weekly Payroll Period

#### Head of Household

1. Enter weekly wages \_\_\_\_\_
2. Weekly portion of standard deduction \$230.77 \_\_\_\_\_
3. Multiply the number of allowances by \$48.08 \_\_\_\_\_
4. Add lines 2 and 3 \_\_\_\_\_
5. Net weekly wages. Subtract line 4 from line 1 \_\_\_\_\_
6. Tax to be withheld. Multiply line 5 by .058 \_\_\_\_\_

### Biweekly Payroll Period

#### Single Person, Married Person, or Qualifying Widow(er)

1. Enter biweekly wages \_\_\_\_\_
2. Biweekly portion of standard deduction \$288.46 \_\_\_\_\_
3. Multiply the number of allowances by \$96.15 \_\_\_\_\_
4. Add lines 2 and 3 \_\_\_\_\_
5. Net biweekly wages. Subtract line 4 from line 1 \_\_\_\_\_
6. Tax to be withheld. Multiply line 5 by .058 \_\_\_\_\_

### Biweekly Payroll Period

#### Head of Household

1. Enter biweekly wages \_\_\_\_\_
2. Biweekly portion of standard deduction \$461.54 \_\_\_\_\_
3. Multiply the number of allowances by \$96.15 \_\_\_\_\_
4. Add lines 2 and 3 \_\_\_\_\_
5. Net biweekly wages. Subtract line 4 from line 1 \_\_\_\_\_
6. Tax to be withheld. Multiply line 5 by .058 \_\_\_\_\_



## Methods of Computing North Carolina Income Tax Withholding *(cont'd)*

**Example:**

An unmarried employee is paid \$450.00 weekly. This employee has in effect a Form NC-4 claiming single with two withholding allowances. Using the percentage method, figure the income tax to withhold as follows:

1. Enter weekly wages		\$450.00
2. Weekly portion of standard deduction	\$144.23	
3. Multiply the number of allowances by \$48.08	\$96.16	
4. Add lines 2 and 3		\$240.39
5. Net weekly wages. Subtract line 4 from line 1		\$209.61
6. Tax to be withheld each payroll period. Multiply line 5 by .058		\$12.00

### Annualized Method - Formula Tables for Annualized Method Withholding Computations (Round off the final result of calculations to the nearest whole dollar.)

#### Payroll Period

##### Single Person, Married Person, or Qualifying Widow(er)

1. Enter wages for current payroll period		
2. Enter number of payroll periods		
3. Annualized wages. Multiply line 1 by line 2		
4. Standard deduction	\$7,500.00	
5. Multiply the number of allowances by \$2,500.00		
6. Add lines 4 and 5		
7. Net annualized wages. Subtract line 6 from line 3		
8. Annualized tax. Multiply line 5 by .058		
9. Enter the number of payroll periods from line 2		
10. Tax to be withheld each payroll period. Divide line 8 by line 9		

#### Payroll Period

##### Head of Household

1. Enter wages for current payroll period		
2. Enter number of payroll periods		
3. Annualized wages. Multiply line 1 by line 2		
4. Standard deduction	\$12,000.00	
5. Multiply the number of allowances by \$2,500.00		
6. Add lines 4 and 5		
7. Net annualized wages. Subtract line 6 from line 3		
8. Annualized tax. Multiply line 5 by .058		
9. Enter the number of payroll periods from line 2		
10. Tax to be withheld each payroll period. Divide line 8 by line 9		

## Methods of Computing North Carolina Income Tax Withholding *(cont'd)*

**Example:**

An unmarried employee is paid \$450.00 weekly. This employee has in effect a Form NC-4 claiming single with two withholding allowances. Using the annualized wages method, figure the income tax to withhold as follows:

1. Enter wages for current payroll period		\$450.00	
2. Enter number of payroll periods		52	
3. Annualized wages. Multiply line 1 by line 2		\$23,400.00	
4. Standard deduction	\$7,500.00		
5. Multiply the number of allowances by \$2,500.00	\$5,000.00		
6. Add lines 4 and 5		\$12,500.00	
7. Net annualized wages. Subtract line 6 from line 3		\$10,900.00	
8. Annualized tax. Multiply line 5 by .058		\$632.20	
9. Enter the number of payroll periods from line 2		52	
10. Tax to be withheld each payroll period. Divide line 8 by line 9		\$12.16	

### Wage Bracket Tables

The wage bracket tables are included in the 2014 NC-30. The 2014 NC-30 is available on the Department's website at [http://www.dor.state.nc.us/downloads/wh\\_forms.html](http://www.dor.state.nc.us/downloads/wh_forms.html)

### Withholding Allowance Chart

Payroll Period	Amount for one Allowance
<b>Weekly</b>	\$48.08
<b>Biweekly</b>	\$96.15
<b>Semimonthly</b>	\$104.17
<b>Monthly</b>	\$208.33