



Instructions for 2012 NC-478 Series

Purpose of the NC-478 Series

Use the NC-478 series to calculate and report tax credits that are limited to 50% of tax less the sum of all other tax credits claimed. Forms for the NC-478 series are used to calculate the specific credits available without regard to the 50% limitation and are designed to report a taxpayer's activity at an establishment or at a county level. If a taxpayer engages in an activity that qualifies for a credit at more than one establishment or county, a separate form must be filed for each credit. For additional information regarding the calculation of tax credits for multiple establishments or multiple counties, see the specific instructions for each credit. **Note.** The NC-478I is designed to report a taxpayer's activity throughout the State.

General Instructions

The NC-478 series consists of the NC-478 summary form and the applicable NC-478 letter series form for the credit. If no letter series form applies to the credit, file a schedule setting out the required information.

Listed below are the tax credits that are subject to the 50% of tax limitation and the applicable NC-478 series form on which the credit is claimed:

Article 3A Credits - Tax Incentives for New and Expanding Businesses

- Creating New Jobs (NC-478)
- Investing in Machinery and Equipment (NC-478B)
- Investing in Central Office or Aircraft Facility Property (NC-478E)
- Research & Development (NC-478)
- Technology Commercialization (NC-478)
- Substantial Investment in Other Real Property (NC-478)
- Contributions to Development Zone Projects (NC-478)

Article 3B Credits - Business and Energy Tax Credits

- Investing in Renewable Energy Property (NC-478G)
- Renewable Fuel Facility (NC-478)
- Small Business Health Insurance (NC-478)
- Biodiesel Producers (NC-478)
- Work Opportunity (NC-478)
- Donating to a Nonprofit Organization for Investing in Renewable Energy Property (NC-478)
- Renewable Energy Property Facility (NC-478)

Article 3E Credits - Low-Income Housing Tax Credits

- Low-Income Housing (NC-478H)

Article 3F Credits - Technology Development

- N.C. Research and Development (NC-478I)
- Interactive Digital Media (NC-478I)

Article 3J Credits - Tax Credits for Growing Businesses

- Creating New Jobs (NC-478J)
- Investing in Business Property (NC-478K)
- Investing in Real Property (NC-478L)

Article 3K Credits - Incentives for Railroad Intermodal Facilities

- Constructing a Railroad Intermodal Facility (NC-478)

Other Credits Subject to the 50% of Tax Limit

- Use of North Carolina Ports (NC-478)
- Manufacturing Cigarettes for Export (NC-478)
- Manufacturing Cigarettes for Export While Increasing Employment (NC-478)

All of the tax credits listed are available to individuals, partnerships, estates, trusts, and corporations except the tax credit for manufacturing cigarettes for export, and the tax credit for manufacturing cigarettes for export while increasing employment, which are available only to corporations. Insurance companies with a gross premiums tax liability can claim any of the Article 3A credits or the Article 3J credits.

When to File

Both the NC-478 and any applicable NC-478 series form must be filed for any taxable year in which the taxpayer is eligible to claim a credit or an installment of a credit against the taxpayer's tax liability for that year. This requirement applies even if the taxpayer's tax liability for that year is not large enough for the taxpayer to benefit from the credit.

Place the NC-478 forms or alternative schedules at the front of the tax return, behind the CD-V payment voucher, NC-478V-J payment voucher, and the CD-479 Annual Report Form. **Important. Failure to include a form or required document with your tax return may result in the disallowance of these tax credits.**

Deadline for filing. To claim a credit against your tax liability for 2012, you must file both the NC-478 and the applicable NC-478 series form **within 6 months after the due date for filing the tax return**, including any extensions of that date. This only applies to Article 3A and 3J. The following example illustrates this requirement:

A calendar year taxpayer creates 10 new qualifying jobs in 2012. The taxpayer files a timely extension on April 15, 2013, which extends the due date of the tax return to October 15, 2013. Applying the six month statute of limitations, the taxpayer has until April 15, 2014 to file the NC-478J and report the 2012 credit for claiming jobs. If the taxpayer does not file a timely extension by April 15, 2013, the NC-478J would have to be filed by October 15, 2013.

Overdue Tax Debts. A taxpayer is ineligible for an Article 3A tax credit or an Article 3J credit if the taxpayer has an overdue tax debt at the time the taxpayer claims an installment or carryforward of a

credit. An “overdue tax debt” is defined as “any part of a tax debt not paid within 90 days.” The term does not include a tax debt for which the taxpayer has entered into a valid installment agreement with the Department.

Pass-through entities. A pass-through entity must provide sufficient information about the tax credits to its owners or beneficiaries to allow them to complete the NC-478 series. The information must be provided on, or as an attachment to, the NC K-1 provided to the owner or beneficiary. An owner or beneficiary should add the credits passed through by a pass-through entity to any credits the owner or beneficiary qualifies for directly when completing the NC-478 series. (See *instructions for an example of the computation of these tax credits for pass-through entities.*)

Short-period returns. If a taxpayer is required to file more than one tax return during a year, each return constitutes a year for purposes of taking an installment of a credit or any unused portion of a credit.

Fee for Article 3J Credits. A taxpayer that engages in an activity that qualifies for an Article 3J credit must pay a \$500 fee for each type of Article 3J credit the taxpayer claims or intends to claim with respect to an establishment. **There is no maximum fee for Article 3J credits and no exclusions for establishments located in distressed areas.** If the activity is conducted by a pass-through entity, the pass-through entity, not its owners to which the credit is allocated, is subject to the fee.

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

Part 1. Tax Credits Subject to 50% of Tax Limitation. After completing the applicable parts on the NC-478 series forms, enter the “Credit Amount to Take in Tax Year 2012” from each form on the appropriate line in Part 1 of NC-478. Add Lines 1 through 19 and enter the total on Line 20. **This is the total amount of tax credits available in 2012 subject to the 50% of tax limitation.**

If claiming a credit for use of North Carolina ports, call the State Ports Authority toll-free at 1-800-334-0682 or (910) 343-6414 for further information. If claiming a credit for cigarettes for export, cigarettes for export while increasing employment, substantial investment, development zone projects, small business health insurance, work opportunity, constructing a railroad intermodal facility, biodiesel producers, or donating funds to a nonprofit organization complete and attach a separate schedule showing how you calculated the credit.

Individuals, partnerships, and trusts or estates enter the credits only in the income column because franchise tax is not required for these types of entities. **Partnerships** enter only the portion of each credit that is allocable to their nonresident partners on whose behalf the managing partner pays the tax. **All corporations** may elect to claim each credit against franchise or income tax except for the credit for use of North Carolina ports, the credit for manufacturing cigarettes for export, or the credit for manufacturing cigarettes for export while increasing employment. Those three credits may only be claimed against income tax. The credit for technology commercialization (Article 3A), the credit for creating jobs (Article 3J), the credit for investing in business property (Article 3J), and the credit for investing in real property (Article 3J) may be divided between franchise and income tax. The election of which tax the

Article 3J credits will be claimed against or what percentage of the credits are applied against each tax is allowed without regard to the original election regarding the division of the credit. However, the election for the credit for technology commercialization under Article 3A is binding for all future installments and carryforwards of that credit.

S corporations enter the total amount of credit being applied against franchise tax. However, S corporations enter in the income column only the portion of each credit that is allocable to the nonresident shareholders on whose behalf a composite return is filed. **Insurance companies** may claim the credits against the gross premiums tax by entering the total amount of credit in the franchise column.

Part 2. Computation of 50% Limit. Complete Part 2 to determine if the total credits calculated in Part 1 must be reduced because the total credits available in 2012 exceed 50% of the tax due in 2012 less other credits not subject to the 50% of tax limit.

Line 21 - Individuals enter the amount of tax due from form D-400, Line 18. **Partnerships** add the amounts on form D-403, Part 3, Line 18 for each nonresident partner and enter the total. **Trusts and estates** enter the amount of tax due from form D-407, Line 8. **C corporations** enter the amount of franchise tax due from form CD-405, Schedule A, Line 5, in the franchise column, and the amount of income tax due from form CD-405, Schedule B, Line 26, in the income column. **S corporations** enter the amount of franchise tax due from form CD-401S, Schedule A, Line 5, in the franchise column and the amount of income tax due for nonresident shareholders filing composite from form CD-401S, Schedule B, Line 21, in the income column. **Insurance companies** enter the total amount of gross premiums tax.

Line 22 - Individuals enter the amount from form D-400TC, Line 35. **Corporations** enter the amount from form CD-425, Part 1, Line 6, in the franchise column, and the amount from form CD-425, Part 3, Line 23, in the income column. **Partnerships** enter the amount from form D-403TC, Line 8. **Trusts and estates** enter the amount from form D-407TC, Line 9.

Line 25 - Enter the lesser of Part 1, Line 20, or Part 2, Line 24.

Part 3. Amount of Each Credit Taken in 2011. If the amount of available credits on Part 1, Line 20 is less than the amount on Part 2, Line 24, then the total amount of eligible tax credits available in 2012 does not exceed 50% of the 2012 tax liability. Enter on Part 3, Line 26 through 44 the same amounts entered on Part 1, Lines 1 through 19.

If the amount of available credits on Part 1, Line 20, is greater than the amount on Part 2, Line 24, then the total amount of eligible tax credits available in 2012 exceeds 50% of the 2012 tax liability. The amount of eligible tax credits from Part 1, Line 20, must be reduced to equal the amount on Part 2, Line 25. A taxpayer may choose how to allocate the allowable amount of credit (Line 25) among the credits for which it is eligible (Lines 1 through 19) by completing Lines 26 through 44. If the amount of eligible credit in Part 1 exceeds the amount of allocated credit in Part 3, a taxpayer may be eligible to carry forward the excess amount to the next year.

Line 45 - Add Lines 26 through 44 and enter the total. This amount can not exceed the amount on Part 2, Line 25. **This is the total amount of tax credits actually taken in 2012.**

Individuals enter the amount of tax credits on form D-400TC, Part 4, Line 36. **Partnerships** enter the amount of tax credits on form D-403TC, Part 2, Line 11. **Trusts and estates** enter the amount of tax credits on form D-407TC, Part 2, Line 12. **Corporations** enter the total amount of tax credits applied against franchise tax on form CD-425, Part 2, Line 10, and the total amount of tax credits applied against income tax on form CD-425, Part 4, Line 28. **Insurance companies** claim the amount of tax credits on the gross premiums tax return.

Tax Incentives for New and Expanding Businesses Article 3A Credits

Subject to the exceptions provided in G.S. 105-129.2A(a1), (a2), (a3) and (a4), the tax incentives for new and expanding businesses expired for business activities that occurred in taxable years beginning on or after January 1, 2007. Taxpayers who took these credits during the eligible periods may continue to take the remaining installments and carryforwards of prior years' credits. For detailed information concerning the expiration of Article 3A tax credits, go to the Department's website, www.dornnc.com, click on "Tax Professionals", and select "Corporate Income and Franchise Tax Information".

NC-478A - Creating New Jobs

The credit for creating new jobs expired for taxable years beginning on or after January 1, 2007. If you qualified for the Article 3A creating new jobs credit prior to January 1, 2007, you can continue to take carryforwards of prior years' credits by entering the amount on Form NC-478, Line 1a.

NC-478B - Investing in Machinery & Equipment

The credit for investing in machinery and equipment expired for taxable years beginning on or after January 1, 2007. If you qualified for the Article 3A investing in machinery and equipment credit prior to January 1, 2007, you can continue to take carryforwards of prior years' credit by entering the amount on Form NC-478, Line 2.

The following instructions for completing Part 2 and Part 3 of the NC-478B apply to taxpayers that continue to take installments of the credit and any carryforward of prior years' installments.

Part 2. Computation of Amount To Be Taken in 2012. *(The information requested for Part 2 is a cumulative total for all establishments and should be entered only once on the last NC-478B filed.)*

- Line 1.** Enter the 2007 installment amount.
(From 2007 NC-478B, Part 2, Line 10)
- Line 2.** Enter the 2006 installment amount.
(From 2006 NC-478B, Part 2, Line 10)
- Line 3.** Enter the 2005 installment amount.
(From 2005 NC-478B, Part 2, Line 10)
- Line 4.** Enter the portion of installment amounts not taken for tax years 2000 through 2007.
- Line 5.** Add Lines 1 through 4. **This is the amount of credit**

to take in 2012 for investing in machinery and equipment. *(Carry amount to Line 2 of NC-478)*

Part 3. Machinery and Equipment Credit History Table. *(The information requested for Part 3 is a cumulative total for all establishments and should be entered only once on the last NC-478B filed. The installment portion of Credit History Table can not be completed in its entirety until after completing Part 3 of NC-478.)*

Credit Amount In the 2005 through 2007 columns, enter the total credit amount as calculated on the prior years' NC-478B.

Installments In the 2005 through 2007 columns, enter the amount of installment actually taken in each tax year. The amount of installment taken includes the amount of each year's installment utilized during that tax year plus any unused portion of a prior year's installment taken in that tax year. *(For more information on the Credit History Table, see the detailed example.)*

Carryforwards Taken If any portion of a prior year's installment is taken in tax year 2012, enter the amount in the applicable column. **(Important.** *Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2012 a portion of a prior year's installment is utilized.)*

Carryforwards To Take In Future If the current year's installment is not fully utilized in tax year 2012, enter the amount not taken as a carryforward to take in the future. **(Important.** *Carryforwards to take in the future do not include eligible installments to be taken in future years. Carryforwards to take in the future should only be entered if in 2012 a portion of a current year's installment can not be utilized due to the 50% of tax limitation.)*

Expired Installments If an installment expires, enter the amount of expired credit in the applicable column. The credit for investing in machinery and equipment expires if a taxpayer fails to meet the general eligibility requirements described previously. Generally, installments expire if the machinery and equipment are disposed of, taken out of service, or moved out of North Carolina prior to the end of the seven-year period in which the credit is claimed. *(For a detailed example on how to calculate the amount of expired installment, see the "Guidelines for Article 3A Tax Credits" available from the Department's website.)*

Pass-through Entities. S corporations claiming the credit for investing in machinery and equipment against income tax complete Parts 2 and 3 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. On Part 2, Line 4, include only the carryforwards for those nonresident shareholders on whose behalf a composite return is filed in both the prior year and the current year. **Partnerships** complete Parts 2 and 3 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. On Part 2, Line 4, include only the carryforwards for those

nonresident partners on whose behalf the partnership pays tax in both the prior year and the current year. **Trusts and estates** complete Parts 2 and 3 by including only the amount allocated to the fiduciary.

NC-478C - Research and Development

The credit for research and development in Article 3A expired for taxable years beginning on or after January 1, 2006. If you qualified for the Article 3A research and development credit prior to January 1, 2006, you can continue to take carryforwards of prior years' credits by entering the amount on NC-478, Line 3.

NC-478E - Investing in Central Office or Aircraft Facility Property

The credit for investing in central office or aircraft facility property expired for taxable years beginning on or after January 1, 2007. If you qualified for the Article 3A investing in central office or aircraft facility property credit prior to January 1, 2007, you can continue to take carryforwards of prior years' credit by entering the amount on Form NC-478, Line 5.

The following instructions for completing Part 3 and Part 4 of the NC-478E apply to taxpayers that continue to take installments of the credit and any carryforward of prior years' installments.

Part 3. Computation of Amount To Be Taken in 2012. *(The information requested for Part 3 is a cumulative total for all establishments and should be entered only once on the last NC-478E filed.)*

- Line 1.** Enter the 2007 installment amount.
(From 2007 NC-478E, Part 3, Line 13)
- Line 2.** Enter the 2006 installment amount.
(From 2006 NC-478E, Part 3, Line 13)
- Line 3.** Enter the 2005 installment amount.
(From 2005 NC-478E, Part 3, Line 13)
- Line 4.** Enter the portion of installment amounts not taken for tax years 2000 through 2007.
- Line 5.** Add Lines 1 through 4. **This is the amount of credit to take in 2012 for investing in central office or aircraft facility property.** *(Carry amount to Line 5 of NC-478)*

Part 4. Central Office or Aircraft Facility Property Credit History Table. *(The information requested for Part 4 is a cumulative total for all establishments and should be entered only once on the last NC-478E filed. The installment portion of Credit History Table can not be completed in its entirety until after completing Part 3 of NC-478.)*

Office Employees in NC at Year-end	In the 2005 through 2007 columns, enter the number of office employees in N.C. for each year as previously reported on NC-478E.
Credit Amount	In the 2005 through 2007 columns, enter the total credit amount as calculated on the prior years' NC-478E.

Installments In the 2005 through 2007 columns, enter the amount of installment actually taken in each tax year. The amount of installment taken includes the amount of each year's installment utilized during that tax year plus any unused portion of a prior year's installment taken in that tax year. *(For more information on the Credit History Table, see the detailed example.)*

Carryforwards Taken If any portion of a prior year's installment is taken in tax year 2012, enter the amount in the applicable column. **(Important.** *Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2012 a portion of a prior year's installment is utilized.)*

Carryforwards To Take In Future If the current year's installment is not fully utilized in tax year 2012, enter the amount not taken as a carryforward to take in the future. **(Important.** *Carryforwards to take in the future do not include eligible installments to be taken in future years. Carryforwards to take in the future should only be entered if in 2012 a portion of a current year's installment can not be utilized due to the 50% of tax limitation.)*

Expired Installments If an installment expires, enter the amount of expired credit in the applicable column. Generally, a credit for investing in central office or aircraft facility property expires if a taxpayer fails to meet the general eligibility requirements described previously or if the central office or aircraft facility property is disposed of, taken out of service, or moved out of North Carolina prior to the end of the seven-year period in which the credit is claimed. *(For a detailed example on how to calculate the amount of expired installment, see the "Guidelines for Article 3A Tax Credits" available from the Department's website.)*

Pass-through entities. S corporations claiming the credit against income tax complete Parts 3 and 4 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. On Part 3, Line 4, include only the carryforwards for those nonresident shareholders on whose behalf a composite return is filed in both the prior year and the current year. **Partnerships** complete Parts 3 and 4 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. On Part 3 Line 4, include only the carryforwards for those nonresident partners on whose behalf the partnership pays tax in both the prior year and the current year. **Trusts and estates** complete Parts 3 and 4 by including only the amount that is allocated to the fiduciary.

Business and Energy Tax Credits Article 3B Credits

NC-478G - Investing in Renewable Energy Property

The credit for investing in renewable energy property that serves a nonbusiness purpose is not taken in installments but is taken in the

tax year the renewable energy property is placed in service. For all other renewable energy property, the credit is taken in five equal installments beginning with the tax year the property is placed in service. Any unused portion of either credit may be carried forward for five succeeding years. **Important. You can not claim the credit for investing in renewable energy property if you claimed any other credit allowed in Chapter 105 of the North Carolina revenue laws with respect to the same property.**

The following instructions for completing Part 1 through Part 5 of NC-478G apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 5.

Part 1. Qualifying Information. *(The information requested for Part 1 is for a single establishment at which renewable energy property is constructed, purchased, or leased and placed in service in North Carolina during tax year 2012. If you invested in renewable energy property at more than one establishment in 2012, complete a separate NC-478G for each establishment.)*

Type of Renewable Energy Property. Fill in all applicable circles related to the type of renewable energy property constructed, purchased, or leased and placed in service at this establishment during 2012.

Type of Purpose Served. Fill in the applicable circle related to the purpose served by the property constructed, purchased, or leased and placed in service at this establishment in 2012.

Address and County Where Property is Placed in Service. Enter the address and county in which an investment in renewable energy property was made during tax year 2012.

Part 2. Computation of Credit Amount for Investing in Nonbusiness Property in 2012. *(The information requested for Part 2 is for a single establishment at which renewable energy property is constructed, purchased, or leased and placed in service in North Carolina during 2012. If you invested in renewable energy property at more than one establishment in 2012, complete a separate NC-478G for each establishment.)*

Line 1. Enter the cost of renewable energy property constructed, purchased, or leased and placed in service in North Carolina in 2012 for a nonbusiness purpose.

Line 2. Multiply Line 1 by 35%.

Line 3. Enter the maximum credit for the applicable type of nonbusiness renewable energy property constructed, purchased, or leased and placed in service in 2012. The maximum credit is:

- \$1,400 per dwelling for solar energy equipment for domestic water heating
- \$3,500 per dwelling for solar energy equipment for active or passive heating or combined domestic water heating and space heating
- \$8,400 for each installation of geothermal equipment
- \$10,500 for each installation of any other renewable energy property

Line 4. Enter the lesser of Line 2 or Line 3. **This is the amount of**

credit for investing in nonbusiness renewable energy property in North Carolina in 2012.

Part 3. Computation of Credit Amount for Investing in Property Serving a Business Purpose in 2012. *(The information requested for Part 3 is for a single establishment at which renewable energy property is constructed, purchased, or leased and placed in service in North Carolina during 2012. If you invested in renewable energy property at more than one establishment in 2012, complete a separate NC-478G for each establishment.)*

Line 5. Enter the cost of renewable energy property constructed, purchased, or leased and placed in service in North Carolina in 2012 for a business purpose.

Line 6. Multiply Line 5 by 35%.

Line 7. Enter the maximum credit for the applicable type of renewable energy property constructed, purchased, or leased and placed in service in 2012 for business purposes. The maximum credit is \$5,000,000 for each installation of renewable energy property placed in service at an eco-industrial park and \$2,500,000 for each installation of renewable energy property placed in service at any other location in this State. *(For more information concerning eco-industrial parks, see G.S. 105-129.16A(c)(3).)*

Line 8. Enter the lesser of Line 6 or Line 7. **This is the amount of credit for investing in renewable energy property serving a business purpose in North Carolina in 2012.** The total credit amount for investing in business property in 2012 for **ALL** establishments must also be entered in the Credit History Table. *(See Part 5, 2012 Column, Credit Amount)*

Line 9. Divide Line 8 by the number 5. This is the eligible installment amount for this establishment to be taken starting in tax year 2011.

Part 4. Computation of Amount To Be Taken in 2012. *(The information requested for Part 4 is a cumulative total for all establishments and should be entered only once on the last NC-478G filed.)*

Line 10. Enter the amount of nonbusiness credit for 2012. *(From Part 2, Line 4)*

Line 11. Enter the 2012 installment amount for investing in business property. *(From Part 3, Line 9)*

Line 12. Enter the 2011 installment amount for investing in business property. *(From 2011 NC-478G, Part 3, Line 9)*

Line 13. Enter the 2010 installment amount for investing in business property. *(From 2010 NC-478G, Part 3, Line 9)*

Line 14. Enter the 2009 installment amount for investing in business property. *(From 2009 NC-478G, Part 3, Line 9)*

Line 15. Enter the 2008 installment amount for investing in business property. *(From 2008 NC-478G, Part 3, Line 9)*

Line 16. Enter the portion of nonbusiness credit not taken for tax years 2007 - 2011 or installments for business credits not taken for tax years 2003 - 2011.

Line 17. Add Lines 10 through 16. **This is the amount of credit to take in 2012 for renewable energy property.** (Carry amount to Line 7 of NC-478)

Part 5. Renewable Energy Property for Business Purposes Credit History Table. (The information requested for Part 5 is a cumulative total for all establishments and should be entered only once on the last NC-478G filed. The installment portion of Credit History Table can not be completed in its entirety until after completing Part 3 of NC-478.)

Credit Amount In the 2012 column, enter the total credit amount for investing in business property in 2012. (From Part 3, Line 8.) In the 2008 through 2012 columns, enter the total credit amount as calculated on the prior year's NC-478G.

Installments In the 2008 through 2012 columns, enter the amount of installment actually taken in each tax year. The amount of installment taken includes the amount of each year's installment utilized during the tax year plus any unused portion of a prior year's carryforward taken in that tax year. (For more information on the Credit History Table, see the detailed example.)

Carryforwards Taken If any portion of a prior year's installment is taken in tax year 2012, enter the amount in the applicable column. (**Important.** Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2012 a portion of a prior year's installment is utilized.)

Carryforwards To Take In Future If the current year's installment is not fully utilized in tax year 2012, enter the amount not taken as a carryforward to take in the future. (**Important.** Carryforwards to take in the future do not include eligible installments to be taken in future years. Carryforwards to take in the future should only be entered if in 2012 a portion of a current year's installment can not be utilized due to the 50% of tax limitation.)

Expired Installments If an installment expires, enter the amount of expired credit in the applicable column. Generally, a credit for investing in renewable energy property expires if the property is disposed of, taken out of service, or moved out of North Carolina prior to the end of the five-year period in which the credit is claimed. (For a detailed example on how to calculate the amount of expired installment, see the "Guidelines for Article 3A Tax Credits" available from the Department's website.)

Pass-through entities. S corporations claiming the credit against income tax complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 2, Line 4 or Part 3, Line 9 among the shareholders. Complete Parts 4 and 5 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. On Part 4, Line 16, include only the carryforwards for those nonresident shareholders on whose behalf a composite return is filed in both the prior year and the current year. **Partnerships** complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 2, Line 4 or Part 3, Line 9 among the

partners. Complete Parts 4 and 5 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. On Part 4, Line 16, include only the carryforwards for those nonresident partners on whose behalf the partnership pays tax in both the prior year and the current year. **Trusts and estates** complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 2, Line 4 or Part 3, Line 9 among the fiduciary and the beneficiaries. Complete Parts 4 and 5 by including only the amount that is allocated to the fiduciary.

Low-Income Housing Tax Credits Article 3E Credits

NC-478H - Low Income Housing

The credit for low-income housing awarded a federal credit allocation before January 1, 2003 has expired. Any unused portion of the credit may be carried forward for five succeeding years. **Important.** The credit for low-income housing awarded a federal credit allocation on or after January 1, 2003 is considerably different from the credit for low-income housing awarded a federal credit allocation before January 1, 2003. (For detailed information on the credit effective for allocations awarded after January 1, 2003, see the "2003 - 2004 Technical Bulletins" available from the Department's website.)

The following instructions for completing Part 2 and Part 3 of NC-478H apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 3.

Part 2. Computation of Amount To Be Taken in 2012. (The information requested for Part 2 is a cumulative total for all locations and should be entered only once on the last NC-478H filed.)

Line 1. Enter the 2007 installment amount. (From 2007 NC-478H, Part 2, Line 9)

Line 2. Enter the portion of installment amounts not taken for tax years 2002 through 2007.

Line 3. Add Lines 1 and 2. **This is the amount of credit to take in 2012 for investing in low-income housing.** (Carry amount to Line 8 of NC-478)

Part 3. Housing Credit History Table. (The information requested for Part 3 is a cumulative total for all locations and should be entered only once on the last Form NC-478H filed. The installment portion of Credit History Table can not be completed in its entirety until after completing Part 3 of Form NC-478.)

Credit Amount In the 2007 column, enter the total credit amount as calculated on the prior year's NC-478H.

Installments In the 2007 column, enter the amount of installment actually taken in each tax year. The amount of installment taken includes the amount of each year's installment utilized during the tax year plus any unused portion of a prior year's carryforward taken in that tax year. (For more information on the Credit History Table, see the detailed example.)

Carryforwards Taken If any portion of a prior year's installment is taken in tax year 2012, enter the amount in the applicable column. (**Important.** *Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2012 a portion of a prior years' installment is utilized.*)

Carryforwards To Take In Future If an installment is not fully utilized in tax year 2012, enter the amount not taken as a carryforward to take in the future. (**Important.** *Carryforwards to take in the future do not include eligible installments to be taken in future years. Carryforwards to take in the future should only be entered if in 2012 a portion of a current year's installment can not be utilized due to the 50% of tax limitation.*)

Expired Installments If an installment expires, enter the amount of expired credit in the applicable column. Generally, a credit for investing in low-income housing expires or is forfeited if the taxpayer becomes ineligible for the federal credit. If the taxpayer is required to recapture all or part of the federal credit claimed, it becomes liable for all past taxes avoided as a result of the credit plus accrued interest.

Pass-through entities. S corporations claiming the credit against income tax complete Parts 2 and 3 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. On Part 2, Line 2, include only the carryforwards for those nonresident shareholders on whose behalf a composite return is filed in both the prior year and the current year. **Partnerships** complete Parts 2 and 3 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. On Part 2, Line 2, include only the carryforwards for those nonresident partners on whose behalf the partnership pays tax in both the prior year and the current year. **Trusts and estates** complete Parts 2 and 3 by including only the amount that is allocated to the fiduciary.

Allocation of credit by a pass-through entity. A pass-through entity may allocate the credit among any of its owners in its discretion as long as the owner's adjusted basis in the pass-through entity at the end of the taxable year in which the federal credit is first claimed is at least forty percent of the amount of credit allocated to that owner. A pass-through entity and its owners must include with their tax returns for every taxable year in which an allocated credit is claimed a statement of the allocation made by the pass-through entity and the allocation that would have been required under the general method of allocating credits based on percentage ownership.

Forfeiture for change in ownership. An owner of a pass-through entity that has qualified for the tax credit for low-income housing forfeits a portion of the credit if the owner disposes of more than one-third of its interest in the pass-through entity within five years from the date the federal credit is first claimed. Forfeiture is not required if the change in ownership results from either the death of the owner or a merger, consolidation, or similar transaction requiring approval of the pass-through entity's owners and the pass-through entity does not receive cash or tangible property in the merger, consolidation, or other similar transaction.

Technology Development Article 3F Credits - NC-478I

Article 3F provides a credit for qualified North Carolina research and development expenses and a credit for interactive digital media that are available to all taxpayers regardless of business type. Taxpayers claiming Article 3F credits must meet the following general eligibility requirements:

- Meet the wage standard
- Provide health insurance for employees
- Have a good environmental record
- Have a good Occupational Safety and Health Act (OSHA) record
- Have no overdue tax debts with the State

Article 3F credits are not taken in installments but must be taken in the year expenses are incurred. Any unused portion of the credit may be carried forward for fifteen succeeding years.

Qualified North Carolina Research Expenses. A taxpayer that has qualified North Carolina research expenses is allowed a credit equal to a percentage of expenses, determined as provided below:

- small business - 3.25%
- low-tier research - 3.25%
- university research - 20%
- eco-industrial park - 35%
- other expenses (dependent upon level of expenses) - 1.25% to 3.25% .

Important. Only one credit is allowed with respect to the same expenses incurred. If more than one category applies to the same expenses, then the credit equals the higher percentage, not both percentages combined.

Interactive Digital Media. The credit for interactive digital media is for an industry that develops in this State interactive digital media or a digital platform or engine for use in interactive digital media. The credit is equal to a percentage of the taxpayer's qualifying expenses that exceed \$50,000. The allowable percentages are (1) 20% of the allowable expenses paid to a participating community college or a research university and (2) 15% for other allowable expenses. The credit may not exceed \$7,500,000.

Important. You can not claim the credit for interactive digital media if you claimed any other credit allowed in Chapter 105 of the North Carolina revenue laws, a JDIG, or a One North Carolina Fund grant with respect to the expenses used to determine the credit. In addition, the credit does not apply to interactive digital media that meets any of the following:

- Developed for internal use
- Is an interpersonal communications service
- Is an internet site that is primarily static
- Is a gambling or casino game
- Is a political advertisement
- Is obscene

The following instructions for completing Part 1 through Part 7 of NC-478I apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships,

S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 7.

Part 1. Qualifying Information. *(The information requested for Part 1 is for a single establishment at which qualified research expenses or interactive digital media expenses occurred in North Carolina during tax year 2012. If you had qualified research expenses or interactive digital media expenses at more than one establishment in 2012, complete a separate NC-478I for each establishment.)*

Type of Research Expenses. Fill in all applicable circles related to the type of research expenses incurred in North Carolina.

Name, Address and County at which Credit is Generated. Enter the name, address, and county of each location where research expenses or interactive digital media expenses were incurred in North Carolina.

Other Business Information. Taxpayers must provide health insurance for all full-time positions at each location where research expenses or interactive digital media expenses were incurred in North Carolina. The insurance must be provided to the employees at the time the research expenses or interactive digital media expenses were incurred and must be maintained every year the credit or a carryforward of the credit is claimed. Taxpayers must provide with the tax return certification that health insurance is provided to all full-time positions at the location where the activity occurred.

Part 2. Computation of Credit for Research Performed in an Eco-Industrial Park. *(The information requested for Part 2, Lines 1 and 2, is the cumulative total of all qualified research expenses during tax year 2012 and will be the same on all NC-478Is filed. Note. If you complete Part 2, do not complete Parts 3, 4 or 5 of NC-478I for the same qualified expenses.)*

Line 1. Enter the total amount of research expenses performed in an eco-industrial park.

Line 2. Multiply Line 1 by 35.0%. **This is the amount of credit for research performed in an eco-industrial park.**

Part 3. Computation of Credit for North Carolina University Research Expenses. *(The information requested for Part 3, Lines 3 and 4, is the cumulative total of all qualified research expenses during tax year 2012 and will be the same on all NC-478Is filed. Note. If you complete Part 3, do not complete Parts 2, 4 or 5 of NC-478I for the same qualified expenses.)*

Line 3. Enter the total amount of North Carolina university research expenses.

Line 4. Multiply Line 3 by 20.0%. **This is the amount of credit for North Carolina university research expenses.**

Part 4. Computation of Credit for Qualified North Carolina Small Business Research Expenses. *(The information requested for Part 4, Lines 5 and 6, is the cumulative total of all qualified research expenses during tax year 2012 and will be the same on all NC-478Is filed. Note. If you complete Part 4, do not complete Parts 2, 3 or 5 of NC-478I for the same qualified expenses.)*

Line 5. Enter the total amount of qualified North Carolina small business research expenses.

Line 6. Multiply Line 5 by 3.25%. **This is the amount of credit for qualified North Carolina small business research expenses.**

Part 5. Computation of Credit for Qualified North Carolina Low-Tier and Other Research Expenses. *(The information requested for Part 5, Lines 7 through 11, is the cumulative total of all qualified research expenses during tax year 2012 and will be the same on all NC-478Is filed. Note. If you complete Part 5, do not complete Parts 2, 3 or 4 of NC-478I for the same qualified expenses.)*

Line 7. Enter the total amount of qualified North Carolina low-tier and other research expenses not included in Parts 2 through 4.

Line 8. Enter the total amount of qualified North Carolina low-tier research expenses.

Line 9. Multiply Line 8 by 3.25%. **This is the amount of credit for qualified North Carolina low-tier research expenses.**

Line 10. Subtract Line 8 from Line 7. This is the total amount of qualified North Carolina other research expenses.

Line 11. Multiply Line 10 by the following percentages and add the amounts:

- Multiply the first \$50 million by 1.25%
- Multiply the amount over \$50 million but no more than \$200 million by 2.25%
- Multiply the amount over \$200 million by 3.25%

This is the amount of credit for qualified North Carolina other research expenses in 2012.

Part 6. Computation of Credit for Interactive Digital Media. *(The information requested for Part 6, Lines 12 through 20, is the cumulative total of all qualified interactive digital media expenses during tax year 2012 and will be the same on all NC-478Is filed.)*

Line 12. Enter the total amount of all qualified interactive digital media expenses.

Line 13. The expense threshold for interactive digital media is \$50,000.

Line 14. Subtract Line 13 from Line 12. This is the excess of qualified interactive digital media expenses over applicable threshold.

Line 15. Enter the amount of expenses from Line 14 that were paid to a participating community college or research university.

Line 16. Multiply Line 15 by 20.0%. This is the credit amount for qualified interactive digital media expenses paid to a participating community college or research university.

Line 17. Subtract Line 15 from Line 14. This is the total amount of other qualified interactive digital media expenses.

Line 18. Multiply Line 17 by 15.0%. This is the credit amount for other qualified interactive digital media expenses.

Line 19. The maximum credit for interactive digital media is \$7,500,000.

Line 20. Enter the lesser of Line 16 plus Line 18 or Line 19. **This is the total credit for interactive digital media in 2012.**

Part 7. Computation of Credit To Be Taken in 2012. *(The information requested for Part 7, Lines 21 through 24, is the cumulative total of all qualified research expenses and interactive digital media expenses during tax year 2012 and will be the same on all NC-478s filed.)*

Line 21. Enter the credit for North Carolina research and development.

Line 22. Enter the portion of credit not taken for tax years 2005 through 2011.

Line 23. Add Lines 21 and 22. **This is the amount of credit to take in 2012 for Research and Development.** *(Carry amount to Line 4 of NC-478)*

Line 24. Enter amount from Part 6, Line 20. **This is the amount of credit to take in 2012 for interactive digital media.** *(Carry amount to Line 18 of NC-478)*

Pass-through Entities. S corporations claiming the credit against income tax complete Parts 1 through 6 as one taxpayer, then allocate the amount from Part 2, Line 2, Part 3, Line 4, Part 4, Line 6, the sum of Part 5, Lines 9 and 11, or Part 6, Line 20 among the shareholders. Complete Part 7 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. **Partnerships** complete Parts 1 through 6 as one taxpayer, then allocate the amount from Part 2, Line 2, Part 3, Line 4, Part 4, Line 6, the sum of Part 5, Lines 9 and 11, or Part 6, Line 20 among the partners. Complete Part 7 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. **Trusts and estates** complete Parts 1 through 6 as one taxpayer, then allocate the amount from Part 2, Line 2, Part 3, Line 4, Part 4, Line 6, the sum of Part 5, Lines 9 and 11, or Part 6, Line 20 among the fiduciary and the beneficiaries. Complete Part 7 by including only the amount allocated to the fiduciary.

Tax Credit for Growing Businesses Article 3J Credits

Eligibility Requirements

In general, a taxpayer must satisfy all of the following general eligibility requirements to qualify for any of the Article 3J credits:

- Be an eligible business type as described below
- Meet the wage standard specified for each credit
- Provide health insurance for employees as specified for the credit
- Have a good environmental record
- Have a good Occupational Safety and Health Act (OSHA) record
- Have no overdue tax debts with the State

Eligible Business Types. Article 3J allows tax credits only to certain types of businesses. A taxpayer is eligible for a credit only with respect to activities occurring at an establishment whose primary activity is listed below. The primary activity of an establishment is determined based on the establishment's principle product or group of products produced or distributed, or services

rendered. A taxpayer must meet one of the following descriptions in order to be eligible for an Article 3J credit:

Aircraft Maintenance and Repair. The provision of specialized maintenance or repair services for commercial aircraft or the rebuilding of commercial aircraft.

Air Courier Services Hub. The furnishing of air delivery of individually addressed letters and packages for compensation, in interstate commerce, except by the United States Postal Service.

Company Headquarters. A corporate, subsidiary, or regional managing office, as defined by NAICS, that is responsible for strategic or organizational planning and decision making for the business on an international, national, or multistate regional basis.

A taxpayer is eligible for a credit with respect to a company headquarters only if the taxpayer creates at least 75 new jobs at the company headquarters within a 24-month period. A company headquarters job is primarily responsible for administering, overseeing, and managing other establishments of the company. A taxpayer that meets this job creation requirement is eligible for credits with respect to the company headquarters for three taxable years beginning with the year in which the job creation requirement is satisfied. A taxpayer that creates an additional 75 new jobs at the company headquarters in a 24-month period after the completion of a three-year eligibility period is eligible for credits with respect to the company headquarters for an additional three taxable years beginning in the year in which the additional job creation requirement is satisfied. A taxpayer that engages in an activity that is not eligible for tax credits cannot become eligible for credits with respect to the ineligible activity by performing it at the same site as where the company headquarters is.

Customer Service Call Center. The provision of support service by a business to its customers by telephone or electronic means to support products or services of the business. For the purposes of this definition, an establishment is primarily engaged in providing support services by telephone or other electronic means only if at least sixty percent (60%) of its calls are incoming or at least sixty percent (60%) of its other electronic communications are initiated by its customers.

Electronic Shopping and Mail Order House. An industry in electronic shopping and mail order houses as defined by NAICS.

Information Technology and Services. An industry in one of the following:

1. Internet service providers, Web search portals, and data processing as defined by NAICS.
2. Software publishers industry as defined by NAICS.
3. Computer systems design and related service industry as defined by NAICS.

Manufacturing. An industry in manufacturing sectors 31 - 33 as defined by NAICS, but not including quick printing or retail bakeries.

Motorsports Facility. A motorsports racetrack classified in the United States racetrack national industry, as defined by NAICS.

Motorsports Racing Team. A professional racing team primarily engaged in the research and development, design, manufacture, repair, maintenance, and operation of motor vehicles used in live

motorsports racing events before a paying audience.

Research and Development. An industry in scientific research and development services as defined by NAICS.

Warehousing. An industry in warehousing and storage as defined by NAICS.

Wholesale Trade. An industry in wholesale trade as defined by NAICS.

Article 3J Supplement - Qualifying Information

In order to claim an Article 3J credit, you must provide all information considered necessary by the Secretary of Revenue to determine and verify the amount of credit claimed. To substantiate your eligibility for Article 3J credits, you must submit an Article 3J Supplement with Form NC-478J, NC-478K, and/or NC-478L. You are required to provide eligibility information for each establishment for which a credit is claimed. In addition, you must maintain any additional documentation needed to substantiate the Article 3J credit and make it available for inspection if requested by the Secretary of Revenue.

Name and Identification Number. Enter the individual's name and social security number or entity's name and federal employer ID number of the taxpayer claiming an Article 3J credit.

Qualifying Information for Establishment at which Credit is Generated. Enter the address and county for each establishment for which a credit is claimed. A taxpayer is not subject to a wage standard test to qualify for a credit with respect to an establishment located in a tier one area. Jobs that are located within an urban progress zone or an agrarian growth zone, but not in a development tier one area, satisfy the wage standard if they pay an average weekly wage that is at least equal to 90% of the lesser of the average wage for all insured private employers in the county. All other jobs satisfy the wage standard if they pay an average weekly wage that is at least equal to the lesser of 110% of the average wage for all insured private employers in the State and 90% of the average wage for all insured private employers in the county. The Department of Commerce annually publishes the wage standard for each county. For more information about the wage standard test, see the **"Guidelines for Article 3J Tax Credits"** available from the Department's website.

Tier and Zone Information. The amount of credit allowed for creating new jobs and for investing in business property is based upon the enterprise tier of the area in which new positions are located. The Department of Commerce publishes a list of the counties and their respective tier designations. For more information about enterprise tiers, go to the Department of Commerce's website, www.nccommerce.com, and click on **"Research and Publications"**, then click on **"Incentive Reports"** and select **"County Tier Designations"**.

Within each tier, there may be designated "urban progress zones" or "agrarian growth zones." Urban progress zones and agrarian growth zones recognize defined areas of economic need within a tier. The Department of Commerce determines whether an area is an urban progress zone or an agrarian growth zone. Projects within these zones receive enhanced credits and are subject to the lower wage standard. The Department of Commerce publishes annually a list of urban progress zones and agrarian growth zones with a description of their boundaries.

Forms filed for this establishment. Fill in applicable circles for the forms filed for each establishment.

NC-478J - Creating New Jobs

The credit for creating new jobs is based upon the development tier of the area in which new jobs are located and is taken in four equal installments beginning in the tax year following the year in which the jobs are created. Any unused portion of the credit may be carried forward for five succeeding years. In addition, to claim the credit for creating new jobs you must provide all the eligibility information requested on the Article 3J Supplement.

The following instructions for completing Part 1 through Part 3 of NC-478J apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 3.

Part 1. Computation of Credit for Jobs Created in 2012. *(The information requested for Part 1 is for a single county at which jobs were created during tax year 2012. If jobs were created at more than one county in 2012, complete a separate NC-478J for each county.)*

Line 1. Enter the county at which new jobs were created.

Line 2. Enter the average number of full-time employees in North Carolina during 2012. The average number of full-time employees is determined by dividing the number of full-time employees on the last day of each month by 12. A taxpayer creates a new full-time job if the taxpayer has an additional full-time employee in North Carolina at the end of the current tax year compared to the end of the previous tax year. A full-time job is a position that requires at least 1,600 hours of work per year and is intended to be held by one employee during the entire year. **(Note.** *The information requested on Part 1, Line 2 is the average number of additional full-time employees in North Carolina during the tax year and will be the same number on all NC-478Js filed for tax year 2012.*)

Line 3. Enter the average number of full-time employees in North Carolina during 2011. The average number of full-time employees is determined by dividing the number of full-time employees on the last day of each month by 12. **(Note.** *The information requested on Part 1, Line 3 is the average number of full-time employees in North Carolina during 2011 and will be the same number on all NC-478Js filed for tax year 2012.*)

Line 4. Subtract Line 3 from Line 2. This is the maximum number of new jobs in North Carolina eligible for credit in 2012.

Line 5. Enter the number of new jobs included in Line 4 located in this county but **NOT** in an urban progress zone or agrarian growth zone.

Line 6. Enter the threshold amount for the applicable tier:

Tier 1	Tier 2	Tier 3
5	10	15

Line 7. Compare the number of new jobs from Line 5 with the tier threshold in Line 6. If the number of jobs on Line 5 is less than the tier threshold on Line 6 go to Line 9. If the number of jobs from Line 5 is greater than the threshold on Line 6 enter the number of jobs from Line 5.

Line 8. Multiply Line 7 by the credit amount for the applicable tier. This is the amount of credit for each new job created in this county not located in an urban progress zone or agrarian growth zone.

Tier 1	Tier 2	Tier 3
\$12,500	\$5,000	\$750

Line 9. Enter the number of new jobs included in Line 4 located in this county **AND** in an urban progress zone or agrarian growth zone.

Line 10. The tier threshold for an urban progress zone or agrarian growth zone is 5.

Line 11. Compare the number of new jobs from Line 9 with the tier threshold in Line 10. If the number of jobs on Line 9 is less than the tier threshold on Line 10, go to Line 16. If the number of jobs from Line 9 is greater than the threshold on Line 10, enter the number of jobs from Line 9.

Line 12. Multiply Line 11 by the credit amount for the applicable tier. This is the amount of credit for each new job created in this county **AND** located in an urban progress zone or agrarian growth zone.

Tier 1	Tier 2	Tier 3
\$13,500	\$6,000	\$1,750

Line 13. Enter the total number of new jobs included in Line 9 that are filled by residents of an urban progress zone or an agrarian growth zone or by individuals who were unemployed for at least 26 consecutive weeks prior to being hired.

Line 14. Multiply Line 13 by \$2,000.

Line 15. Add Line 12 and Line 14. This is the amount of credit for creating jobs located in an urban progress zone or agrarian growth zone in 2012.

Line 16. Add Line 8 and Line 15. **This is the total credit for new jobs created in this county in 2012.** The total credit amount for creating jobs in 2012 for **ALL** counties must also be entered in the Credit History Table. (See *Part 3, 2012 Column, Credit Amount*)

Line 17. Divide Line 16 by the number 4. This is the amount of each installment for this county to be taken starting in tax year 2013.

Part 2. Computation of Amount To Be Taken in 2012. (The information requested for Part 2 is a cumulative total for all counties and should be entered only once on the last NC-478J filed.)

Line 18. Enter the 2011 installment amount.
(From 2011NC-478J, Part 1, Line 17)

Line 19. Enter the 2010 installment amount.
(From 2010 NC-478J, Part 1, Line 17)

Line 20. Enter the 2009 installment amount.
(From 2009 NC-478J, Part 1, Line 17)

Line 21. Enter the 2008 installment amount.
(From 2008 NC-478J, Part 1, Line 17)

Line 22. Enter the portion of installment amounts not taken for tax years 2007 - 2010.

Line 23. Add Lines 18 through 22. **This is the amount of credit to take in 2012 for creating jobs.** (Carry amount to Line 1b of NC-478)

Part 3. Jobs Credit History Table. In the 2012 column, enter the total credit amount for creating jobs in tax year 2012. (Add Part 1, Line 16 for all counties)

Pass-through Entities. S corporations claiming the credit against income tax complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 1, Line 17 among the shareholders. Complete Parts 2 and 3 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. **Partnerships** complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 1, Line 17 among the partners. Complete Parts 2 and 3 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. **Trusts and estates** complete Parts 1 through 3 as one taxpayer, then allocate the amount from Part 1, Line 17 among the fiduciary and the beneficiaries. Complete Parts 2 and 3 by including only the amount allocated to the fiduciary.

NC-478K - Investing in Business Property

The credit for investing in business property is based upon the enterprise tier of the area in which business property is placed in service and is taken in four equal installments beginning in the tax year following the year in which the business property was placed in service. Any unused portion of the credit may be carried forward for five succeeding years. In addition, in order to claim the credit for investing in business property, you must provide all the eligibility information requested on the Article 3J Supplement.

The following instructions for completing Part 1 through Part 4 of NC-478K apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 4.

Part 1. Computation of Credit Amount for Investing in Business Property in 2012. (The information requested for Part 1 is for a single county at which business property was placed in service during tax year 2012. If business property was placed in service in more than one county in 2012, complete a separate NC-478K for each county.)

Line 1. Enter the county where the business property was placed in service.

Line 2. Enter the cost of business property placed in service in North Carolina during 2012. (**Note.** The information requested on Part 1, Line 2 is the total cost of business property placed in service in North Carolina during the tax year and will be the same on all NC-478Ks filed for tax year 2012.)

Line 3. Enter the cost of business property in service in North Carolina on the last day of 2012. (**Note.** The information requested on Part 1, Line 3 is the total cost of business property in service in North Carolina during the tax year and will be the same on all NC-478Ks filed for tax year 2012.)

Line 4. Enter the cost of business property in service in North Carolina on the last day of the base year. *(Note. The information requested on Part 1, Line 4 is the total cost of business property in service in North Carolina on the last day of the base year and will be the same number on all NC-478Ks filed for tax year 2012.)*

Line 5. Subtract Line 4 from Line 3. This is the excess of the cost of all eligible business property on the last day of 2012 over the cost of all eligible business property on the last day of the base year. *(Note. The information requested on Part 1, Line 5 is the total excess of cost of all eligible business property on the last day of 2012 over the cost of all eligible business property on the last day of the base year and will be the same number on all NC-478Ks filed for tax year 2012.)*

Line 6. Enter the lesser of Line 2 or Line 5. This is the eligible investment amount for investing in business property statewide.

Line 7. Enter the amount of Line 6 located in this county but **NOT** in an urban progress zone or agrarian growth zone.

Line 8. Enter the threshold amount for the applicable tier:

Tier 1	Tier 2	Tier 3
\$ -0-	\$1,000,000	\$2,000,000

Line 9. Subtract Line 8 from Line 7. This is the excess of eligible investment amount for investing in business property over the applicable threshold.

Line 10. Multiply Line 9 by the percentage for the applicable tier. This is the credit amount for investing in business property in this county in 2012 **NOT** located in an urban progress zone or agrarian growth zone.

Tier 1	Tier 2	Tier 3
7%	5%	3.5%

Line 11. Enter the amount of Line 6 located in this county **AND** in an agrarian growth zone or urban progress zone.

Line 12. Multiply Line 11 by 7%.

Line 13. Add Line 10 and Line 12. **This is the total credit for investing in business property in this county in 2012.** The total credit amount for investing in business property in 2012 for **ALL** counties must also be entered in the Credit History Table. (See *Part 4, 2012 Column, Credit Amount*)

Line 14. Divide Line 13 by the number 4. This is the amount of each installment for this county to be taken starting in tax year 2013.

Part 2. Business Property in Service in North Carolina on the Last Day of the Tax Year. *(The information requested for Part 2 is a cumulative total for all counties and is entered only once on the last NC-478K filed.)*

Enter the total cost of all eligible business property in service in North Carolina on the last day of the tax year for each year requested. This information is used to determine the base year on Part 1, Line 4.

Part 3. Computation of Amount To Be Taken in 2012. *(The information requested for Part 3 is a cumulative total for all counties and should be entered only once on the last NC-478K filed.)*

Line 15. Enter the 2011 installment amount.
(From 2011 NC-478K, Part 1, Line 14)

Line 16. Enter the 2010 installment amount.
(From 2010 NC-478K, Part 1, Line 14)

Line 17. Enter the 2009 installment amount.
(From 2009 NC-478K, Part 1, Line 14)

Line 18. Enter the 2008 installment amount.
(From 2008 NC-478K, Part 1, Line 14)

Line 19. Enter the portion of installment amounts not taken for tax years 2007 - 2010.

Line 20. Add Lines 15 through 19. **This is the amount of credit to take in 2012 for investing in business property.**
(Carry amount to Line 6 of NC-478)

Part 4. Business Property Credit History Table. In the 2012 column, enter the total credit amount for investing in business property in tax year 2012. *(Add Part 1, Line 13 for all counties)*

Pass-through Entities. S corporations claiming the credit against income tax complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 14 among the shareholders. Complete Parts 3 and 4 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. **Partnerships** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 14 among the partners. Complete Parts 3 and 4 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. **Trusts and estates** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 14 among the fiduciary and the beneficiaries. Complete Parts 3 and 4 by including only the amount allocated to the fiduciary.

NC-478L - Investing in Real Property

The credit for investing in real property is applicable only to real property placed in service in a development tier one area. Property placed in service in an urban progress zone or an agrarian growth zone is not considered to be placed in service in a tier one area for purposes of this credit. The credit for investing in real property is taken in seven equal installments beginning in the tax year following the year in which the real property was placed in service. Any unused portion of the credit may be carried forward for five succeeding years. In addition, in order to claim the credit for investing in real property, you must provide all the eligibility information requested on the Article 3J Supplement.

The following instructions for completing Part 1 through Part 4 of NC-478L apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 4.

Part 1. Computation of Credit for Investing in Real Property in 2012. *(The information requested for Part 1 is for a single county at which real property was placed in service during tax year 2012. If real property was placed in service in more than one county in 2012, complete a separate NC-478L for each county.)*

Line 1. Enter the Tier 1 county where the real property was placed in service.

Line 2. Enter the cost of real property placed in service in North Carolina during 2012. (**Note.** *The information requested on Part 1, Line 2 is the total cost of real property placed in service in North Carolina during the tax year and will be the same on all NC-478Ls filed for tax year 2012.*)

Line 3. Enter the cost of real property in service in North Carolina on the last day of 2012. (**Note.** *The information requested on Part 1, Line 3 is the total cost of real property in service in North Carolina during the tax year and will be the same on all NC-478Ls filed for tax year 2012.*)

Line 4. Enter the cost of real property in service in North Carolina on the last day of the base year. (**Note.** *The information requested on Part 1, Line 4 is the total cost of real property in service in North Carolina on the last day of the base year and will be the same number on all NC-478Ls filed for tax year 2012.*)

Line 5. Subtract Line 4 from Line 3. This is the excess of the cost of all eligible real property on the last day of 2012 over the cost of all eligible real property in North Carolina on the last day of the base year.

Line 6. Enter the lesser of Line 2 or Line 5. This is the eligible investment amount for investing in real property statewide.

Line 7. Enter the amount of Line 6 located in this county.

Line 8. Enter the percentage of real property used in an eligible business in 2012.

Line 9. Multiply Line 7 by Line 8. This is the eligible investment amount for investing in real property in this county in 2012.

Line 10. Multiply Line 9 by 30%. **This is the amount of credit for investing in real property in this county in 2012.**

Line 11. Divide Line 10 by the number 7. This is the amount of each installment for this county to be taken starting in tax year 2013.

Part 2. Real Property in Service in North Carolina on the Last Day of the Tax Year. (*The information requested for Part 2 is a cumulative total for all counties and is entered only once on the last NC-478L filed.*)

Enter the total cost of all eligible real property in service in North Carolina on the last day of the tax year for each year requested. This information is used to determine the base year on Part 1, Line 4.

Part 3. Computation of Amount To Be Taken in 2012. (*The information requested for Part 3 is a cumulative total for all counties and should be entered only once on the last NC-478L filed.*)

Line 12. Enter the 2011 installment amount.
(From 2011 NC-478L, Part 1, Line 11)

Line 13. Enter the 2010 installment amount.
(From 2010 NC-478L, Part 1, Line 11)

Line 14. Enter the 2009 installment amount.
(From 2009 NC-478L, Part 1, Line 11)

Line 15. Enter the 2008 installment amount.
(From 2008 NC-478L, Part 1, Line 11)

Line 16. Enter the 2007 installment amount.
(From 2007 NC-478L, Part 1, Line 11)

Line 17. Credit may not be taken until 2013.

Line 18. Credit may not be taken until 2014.

Line 19. Enter the portion of installment amounts not taken for tax years 2007 - 2010.

Line 20. Add Lines 12 through 19. **This is the amount of credit to take in 2012 for investing in real property.** (*Carry amount to Line 14 of NC-478*)

Part 4. Real Property Credit History Table. In the 2012 column, enter the total credit amount for investing in real property in tax year 2012. (*Add Part 1, Line 10 for all counties*)

Pass-through Entities. S corporations claiming the credit against income tax complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 11 among the shareholders. Complete Parts 3 and 4 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. **Partnerships** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 11 among the partners. Complete Parts 3 and 4 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. **Trusts and estates** complete Parts 1 through 4 as one taxpayer, then allocate the amount from Part 1, Line 11 among the fiduciary and the beneficiaries. Complete Parts 3 and 4 by including only the amount allocated to the fiduciary.

Allocation of Credits by Pass-through Entities

A pass-through entity must take extra steps in calculating and allocating the tax credits among its shareholders, partners, or beneficiaries.

S Corporations. If the credit is being claimed against franchise tax, no allocation is required. Complete the applicable tax credit form and enter the amount eligible to be taken in the current year on the NC-478 form. If the credit is being taken against income tax, complete the applicable tax credit form to determine the eligible credit to be allocated among the shareholders. The portion of the eligible credit allocated to nonresident shareholders on whose behalf a composite return is being filed is calculated and carried to the NC-478 form. The portion of the eligible credit allocated to resident shareholders or nonresident shareholders who are not part of a composite return will not be reflected on the S-corporation's NC-478 form.

Partnerships. Complete the applicable tax credit form to determine the eligible credit to be allocated among the partners. The portion of the eligible credit allocated to nonresident partners on whose behalf the partnership pays tax is calculated and carried to the NC-478 form. The portion of the eligible credit allocated to resident partners or nonresident partners on whose behalf the partnership does not pay tax will not be reflected on the NC-478 form.

Trusts and estates. Complete the applicable tax credit form to determine the eligible credit to be allocated among the trust or estate

and its beneficiaries. The portion of the eligible credit allocated to the trust or estate is calculated and carried to the NC-478 form. The portion of the eligible credit allocated to the trust's or estate's beneficiaries will not be reflected on the NC-478 form.

The example below shows how the tax credit for creating new jobs under Article 3J is calculated and reported on the NC-478 form and the NC-478J form by an S corporation. The example also applies to partnerships, trusts, and estates.

Example. An S corporation creates new jobs in a Tier 1 county in North Carolina during tax year 2011. The S corporation meets all of the eligibility requirements for the tax credit for creating new jobs. The S corporation has three shareholders. Shareholder 1 is a North Carolina resident and owns 50% of the corporation. Shareholder 2 is a nonresident who owns 20% of the corporation. This shareholder is not part of the composite return that is filed by the S corporation. Shareholder 3 is also a nonresident, owns 30% of the corporation, and is part of the composite return. The S corporation elects to apply the tax credit against income tax. (For further details see form NC-478J.)

Step 1. Calculating the Credit Amount for Creating New Jobs for the Entity (From NC-478J, Part 1)

Line 1.	County where new jobs were created	COUNTY	
Line 2.	Average number of full-time employees in NC during 2012		30
Line 3.	Average number of full-time employees in NC during 2011		10
Line 4.	Maximum number of new jobs in NC eligible for credit in 2012		20
Line 5.	Number of new jobs included in Line 4 located in this county but NOT in urban progress or agrarian growth zone		10
Line 6.	Tier threshold for county		5
Line 7.	Compare the number of jobs on Line 5 with the amount on Line 6. If the number of jobs on Line 5 is less than the amount on Line 6, skip Lines 7 and 8 and go to Line 9. If the number of jobs on Line 5 is greater than or equal to Line 6, enter the number of jobs from Line 5.		10
Line 8.	Credit amount for each new job created in this county NOT located in urban progress or agrarian growth zone	\$125,000	
Line 9.	Number of new jobs included in Line 4 located in this county AND in urban progress or agrarian growth zone		6
Line 10.	Tier threshold for urban progress or agrarian growth zone		5
Line 11.	Compare the number of jobs on Line 9 with the amount on Line 10. If the number of jobs on Line 9 is less than the amount on Line 10, skip Lines 11 through 15 and go to Line 16. If the number of jobs on Line 9 is greater than or equal to Line 10, enter the number of jobs from Line 9.		6
Line 12.	Credit for new jobs located in urban progress or agrarian growth zone	\$ 81,000	
Line 13.	Number of new jobs included in Line 9 that are filled by residents of that zone or by individuals		1
Line 14.	Multiply Line 13 by \$2,000	\$ 2,000	
Line 15.	Total credit amount for new jobs located in an urban progress or agrarian growth zone in 2012	\$ 83,000	
Line 16.	Total Credit for New Jobs Created in this County in 2012	\$208,000	
Line 17.	Amount of each future installment	\$ 52,000	

Step 2. Allocating the Credit Amount to the Shareholders

Shareholder	1	2	3
Credit Amount of S Corporation	\$ 52,000	\$ 52,000	\$ 52,000
Percentage Ownership	50%	20%	30%
Credit Amount Allocated	\$ 26,000	\$ 10,400	\$ 15,600
Non-composite Credit Amount	\$ 26,000	\$ 10,400	\$ 0
Composite Credit Amount	\$ 0	\$ 0	\$ 15,600

Step 3. Completing Part 2 of NC-478J and Line 1b of NC-478 for the Entity.

NC-478J, Part 2, Line 18 - First Installment	\$ 15,600
NC-478, Part 1, Line 1b - Creating Jobs Article 3J	\$ 15,600

Note. Shareholders 1 and 2 must complete NC-478J, Part 2, and NC-478 separately to claim the credit that is passed through to the individual shareholders.

Credit History Table Example

The purpose of the Credit History Table is to provide a means for taxpayers to track both the credit amount available for each tax year and the actual credit taken as an installment. By using the Credit History Table, taxpayers can verify that the amount of credit taken for each installment does not exceed the amount of credit actually available to the taxpayer. The table also provides a means for tracking any unused portion of an installment that can be carried to future years or has expired.

The example below shows how the M & E Credit History Table (Article 3A, Form NC-478B) is completed.

2005 Column. In 2005, ABC Corporation was eligible to claim \$7000 of M & E credit. Taxpayer entered \$7000 in the "Credit Amount" box. Based upon the credit amount, each installment available to ABC Corporation for tax years 2006 through 2012 is \$1000 (\$7000 ÷ 7 years). For tax years 2006 through 2009, ABC Corporation's income tax liability was sufficient to claim 100% of the available installment amount. Taxpayer entered \$1000 in the 2005 column for installments 1, 2, 3, and 4.

In 2010, ABC Corporation was limited to \$980 of its available M & E installment and had \$20 of installment to carry forward to 2011. Taxpayer entered in the 2005 column \$980 for the 5th installment and \$20 in the "Carryforwards to Take in Future" box.

In 2011, ABC Corporation was limited to \$52 of its available M & E installments and carryforwards. Taxpayer used the \$20 carryforward from the 2005 5th installment and \$32 of the 6th installment. Taxpayer entered in the 2005 column \$52 for the 6th installment, \$20 in the "Carryforwards Taken" box, and \$968 in the "Carryforwards to Take in Future" box. The carryforward is calculated as follows: \$1000 (2005 6th installment available) + \$20 (2005 5th installment carryforward available) - \$52 (amount of credit actually taken in 2011) = \$968.

In 2012, ABC Corporation's income liability was sufficient to claim \$1700 of available M & E installments plus carryforwards. Taxpayer used the \$968 carryforward from the 2005 6th installment. Taxpayer entered in the 2005 column \$1700 for the 7th installment, \$968 in the "Carryforwards Taken" box, and \$268 in the "Carryforwards to Take in Future" box. The carryforward is calculated as follows: \$1000 (2005 7th installment) plus \$968 (2005 6th installment carryforward available) - \$1700 (amount of credit actually taken in 2012) = \$268.

2007 Column. In 2007, ABC Corporation was eligible to claim \$8750 of M & E credit by submitting a signed letter of commitment with the Department of Commerce on December 31, 2006. Taxpayer entered \$8750 in the "Credit Amount" box. Based upon the credit amount, each installment available to ABC Corporation for tax years 2008 through 2014 is \$1250 (\$8750 ÷ 7). However,

In 2008 ABC Corporation partially disposed of machinery and equipment used to qualify for the M & E credit in 2007, thereby reducing the amount of each future installment available to \$250.

In 2008, ABC Corporation did not have sufficient income tax to take the 1st installment of the 2007 M & E Credit. Taxpayer entered in the 2007 column, \$0 for the 1st installment, \$250 in the "Carryforwards to Take in the Future" box, and \$1000 in the "Expired Installments" box. If the taxpayer does not dispose of additional machinery and equipment used to qualify for the 2007 M & E credit, the "Expired Installments" box will increase by \$1000 each year.

In 2009, ABC Corporation was limited to \$250 of its available M & E installment and carryforwards (see the 2007 column). Taxpayer used \$250 of the carryforward from the 2007 1st installment. Taxpayer entered in the 2007 column \$250 for the 2nd installment, \$250 in the "Carryforwards Taken" box, \$250 in the "Carryforwards to Take in Future" box, and \$2000 in the "Expired Installments" box.

In 2010, ABC Corporation was eligible to claim \$500 of M & E credit. Taxpayer entered in the 2007 column \$500 (\$250 of the carryforward from the 2007 2nd installment and \$250 for the 3rd installment), \$500 in the "Carryforwards Taken" box, and \$3000 in the "Expired Installments" box.

In 2011, ABC Corporation was eligible to claim \$150 of M & E installments plus carryforwards. Taxpayer entered in the 2007 column \$150 for the 4th installment and \$100 in the "Carryforwards to Take in Future" box and \$4000 in the "Expired Installments" box.

In 2012, ABC Corporation was eligible to claim \$300 of M & E installments plus carryforwards. Taxpayer entered in the 2007 column \$300 (\$200 for the 5th installment and \$100 from the carryforward from the 4th installment), \$650 "Carryforward Taken", \$50 "Carryforward to be Taken", and \$5000 in the "Expired Installments" box.

Credit History Table Example

Part 5. M & E Credit History Table				
Tax Year		2005	2006	2007
Credit Amount		7000		8750
		<i>Taken in 2006</i>	<i>Taken in 2007</i>	<i>Taken in 2008</i>
Installments	1st	Franchise		
		Income		
		1000		0
		<i>Taken in 2007</i>	<i>Taken in 2008</i>	<i>Taken in 2009</i>
	2nd	Franchise		
		Income		
		1000		250
		<i>Taken in 2008</i>	<i>Taken in 2009</i>	<i>Taken in 2010</i>
	3rd	Franchise		
		Income		
		1000		500
		<i>Taken in 2009</i>	<i>Taken in 2010</i>	<i>Taken in 2011</i>
	4th	Franchise		
		Income		
	1000		150	
	<i>Taken in 2010</i>	<i>Taken in 2011</i>	<i>Taken in 2012</i>	
5th	Franchise			
	Income			
	980		300	
	<i>Taken in 2011</i>	<i>Taken in 2012</i>	<i>Taken in 2013</i>	
6th	Franchise			
	Income			
	52			
	<i>Taken in 2012</i>	<i>Taken in 2013</i>	<i>Taken in 2014</i>	
7th	Franchise			
	Income			
	1700			
Carryforwards Taken		968		650
Carryforwards to Take in Future		268		50
Expired Installments				5000