



NORTH
CAROLINA
DEPARTMENT
OF REVENUE

North Carolina Partnership Income Tax Return Instructions

eFile

- ✓ Make filing taxes easier – choose eFile
- ✓ More convenient and faster than filing paper
- ✓ Pay tax due by bank draft with no convenience fee
- ✓ Schedule quarterly tax payments up to a year out

Visit the Department's website to get started.

Declaración Electrónica (EN ESPAÑOL)



www.ncdor.gov

2023

Tax Assistance

Information about partnership income tax and tax forms may be obtained from our website at www.ncdor.gov. You may also call the North Carolina Department of Revenue Customer Service line at 1-877-252-3052 (toll-free) for additional assistance in completing the partnership's tax forms or to request forms.

What's New for 2023?

- **Certain Partnerships are Eligible to Make the Election to Pay Tax at the Entity-Level**
North Carolina law was amended to include provisions that allow additional partnerships to elect to pay North Carolina income tax at the entity-level (a "Taxed Partnership"). **Important:** A Taxed Partnership cannot pay entity-level tax for a partner classified as a corporation or a partnership. *(For more information, see Directive TA-23-1 and page 3 of these instructions.)*
- **Amending the Taxed Partnership Election After a Return is Filed**
North Carolina law was amended to include a provision that prevents a partnership from making or revoking the Taxed Partnership election after the partnership income tax return is filed.
- **North Carolina Taxable Income**
North Carolina law was amended to provide that the North Carolina taxable income for a Taxed Partnership is determined only on income attributable to North Carolina. As such, income not sourced to North Carolina should not be included in the computation.
- **Deduction Allowed on a Resident Partner's Tax Return for Certain Non-North Carolina Sourced Partnership Income**
North Carolina law was amended to include a provision that allows a resident partner to claim a deduction on the resident partner's individual income tax return for the partner's distributive share of the partnership's income not attributable to North Carolina that was taxed at the entity-level in another state or the District of Columbia. *(For more information, see instructions for Form D-400 Schedule S, Line 38 on page 19 of 2023 Form D-401, North Carolina Individual Income Tax Instructions.)*
- **Taxed Partnerships Cannot Claim a Tax Credit for Income Taxes Paid to Another State or Country**
North Carolina law was amended to remove a provision that allowed a Taxed Partnership to claim a tax credit for income taxes paid to another state or country.
- **North Carolina Tax Rate**
North Carolina law was amended to decrease the individual income tax rate to 4.75% for tax year 2023. Partnerships are subject to the same income tax rate as individuals.
- **Other 2023 Legislation Changes**
For more information on other legislative changes that affect tax year 2023, see the "2023 Tax Law Changes" publication available on the Department's website.

Before You Begin

Read the instructions carefully before you begin preparing the partnership's income tax return. Make sure that you complete and attach the proper tax schedules to the partnership's tax return. Incomplete or inaccurate information may result in the Department returning the tax return to you, thereby delaying the processing of the tax return and any refund due thereon.

Important: You must enter the partnership's **entire nine-digit** Federal Employer Identification Number ("FEIN") in the appropriate boxes on the forms. An incorrect or missing FEIN can increase the partnership's tax, reduce the partnership's refund, or delay the partnership's refund.

- Be sure to enter the partnership's complete address on the tax return.
- Make sure you have received all of the 1099s, K-1s, and other tax documents that you need to prepare the tax return.
- **Do not** submit photocopies of the return. Submit original forms only. **Do not** use any prior year forms.
- **Use black or blue ink only. Do not use red ink or pencil.**
- Write your numbers **clearly inside** the boxes like this: 17360 .00
- **Do not** use dollar signs (\$), commas, decimal points, or other punctuation marks like this: \$17360 .00
- **Do not** use brackets to indicate negative numbers. Negative numbers are indicated by either:
 - Filling in the circle next to the number like this (*Web version*): 123456 .00
 - Entering a minus sign in the appropriate space like this (*Web-fill version*): -12345.00
- If the partnership does not have an entry for a particular line, leave it blank. Do not enter dashes, zeros, draw lines, or other symbols in boxes that the partnership has no entry for that line.
- Round off to the nearest whole dollar. Drop amounts under 50 cents and increase amounts from 50 cents to 99 cents to the next whole dollar.
- Use capital letters.
- Print letters and numbers like this:

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
0	1	2	3	4	5	6	7	8	9																
- Fill in applicable circles completely. **Example:** Yes No
- Each year the Department makes available (and approves) several different versions of North Carolina tax forms and schedules. **Do not** mix the different versions. If you submit different versions for the same tax year, the Department cannot process the tax return.

Example: Do not submit a software generated Form D-403 with a web-fill Form D-403TC. Instead, submit a software generated Form D-403 and a software generated Form D-403TC, or a web-fill Form D-403 and a web-fill Form D-403TC.

General Information

The information contained in this booklet is to be used as a guide in the preparation of the 2023 North Carolina partnership income tax return and is not intended to cover all provisions of the law. For further information on North Carolina tax law, refer to the administrative rules, bulletins, directives, or other publications issued by the Department of Revenue.

Important: The references to line numbers on federal return of partnership income were correct at the time this booklet was published. If line numbers have changed since publication and you are unable to determine the proper line to use when completing the partnership's North Carolina tax return, contact the Department of Revenue at 1-877-252-3052.

Who Must File a North Carolina Partnership Income Tax Return?

A partnership doing business in North Carolina that is required to file a federal return of partnership income must file a North Carolina partnership income tax return, Form D-403, for the taxable year. The term "partnership" includes a limited liability company classified for federal income tax purposes as a partnership as well as certain publicly traded partnerships described in section 7704(c) of the Internal Revenue Code.

What Does "Doing Business in North Carolina" Mean?

The term "doing business in North Carolina" means the operation of any business enterprise or activity in North Carolina for economic gain, including, but not limited to, the following:

- The maintenance of an office or other place of business in North Carolina;
- The maintenance in North Carolina of an inventory of merchandise or material for sale, distribution or manufacture, regardless of whether kept on the premises of the taxpayer or in a public or rented warehouse;
- The selling or distributing of merchandise to customers in North Carolina directly from a company-owned or operated vehicle when title to the merchandise is transferred from the seller or distributor to the customer at the time of the sale or distribution;
- The rendering of a service to clients or customers in North Carolina by agents or employees of a foreign partnership;
- The owning, renting, or operating of business or income-producing property in North Carolina including, but not limited to, the following:
 - (A) Realty;
 - (B) Tangible personal property;
 - (C) Trademarks, tradenames, franchise rights, computer programs, copyrights, patented processes, licenses.

In addition, a partnership that is a partner in another partnership or joint venture operating in North Carolina is considered to be "doing business in North Carolina." **Exception:** A partnership whose only activity is as an investment partnership is not considered to be "doing business in North Carolina" and is not required to file a return in North Carolina or pay income tax to the State on behalf of its nonresident partners. *(For more information on investment partnerships, see North Carolina Administrative Code 17 NCAC 06B .3503.)*

Can a Partnership Elect to Pay Income Tax at the Entity-Level?

For tax years beginning on or after January 1, 2022, an eligible partnership that is required to file a partnership income tax return can elect to pay North Carolina income tax at the entity-level (a "Taxed Partnership"). An eligible partnership is defined as a domestic partnership, a foreign partnership, or a limited liability company ("LLC") classified for federal income tax purposes as a partnership. **Important:** The following partnerships are not eligible to make the election to be a Taxed Partnership:

- A publicly traded partnership that is described in section 7704(c) of the Internal Revenue Code ("Code").
- A partnership that has at any time during the taxable year a partner who is not one of the following:
 - (1) An individual.
 - (2) An estate.
 - (3) Any of the following:
 - a. A trust described in section 1361(c)(2) of the Code.
 - b. A trust if such trust does not have as a beneficiary any person other than an

individual, an estate, a trust, or an organization described in section 1361(c)(6) of the Code.

- (4) An organization described in section 1361(c)(6) of the Code.
- (5) A partnership, including an entity classified as a partnership for federal income tax purposes, or an entity classified as a corporation for federal income tax purposes.

Important: A Taxed Partnership **cannot** pay tax at the entity-level for a partner classified as a corporation or a partnership. As such, the distributive share of the partner's income (loss) **cannot** be included when calculating the Taxed Partnership's North Carolina taxable income on which the Taxed Partnership pays entity-level tax.

How Can a Partnership Make an Election to be a Taxed Partnership?

An eligible partnership can make the election to be a Taxed Partnership by filling in the appropriate circle on page 1 of Form D-403. The election is for the tax year covered by the partnership income tax return. **Important:** The election must be made by the eligible partnership by the due date of the partnership income tax return, including extensions. In addition, an eligible partnership **cannot** make the Taxed Partnership election after the partnership income tax return is filed.

Does a Partnership Have a Requirement to Pay North Carolina Income Tax on Behalf of a Nonresident Partner?

Generally, a partnership that is required to file a partnership income tax return with one or more nonresident partners must compute and pay the tax due on behalf of each nonresident partner. If the nonresident partner is a corporation, partnership, trust, or estate, the partnership is not required to pay the tax on that partner's share of the partnership income provided the partnership files a completed Form NC-NPA, Nonresident Partner Affirmation, by the due date of the partnership income tax return. **Important:** If an eligible partnership makes the election to be a Taxed Partnership, this guidance also applies to any partner classified as a corporation or a partnership. (*For more information, see Directive TA-23-1.*)

Form NC-NPA. A properly completed Form NC-NPA affirms that the nonresident partner is not subject to North Carolina income tax or that the nonresident partner will timely file the appropriate North Carolina tax return and pay any tax due. Form NC-NPA must be attached to the partnership income tax return when it is originally filed and must be signed by the partner. An unsigned form is not valid.

A new Form NC-NPA must be completed annually by the nonresident partner and filed by the partnership on or before the due date of the partnership income tax return. Form NC-NPA applies to the original tax return, any amended tax return for that year, and any proposed assessments of additional tax for that year.

Is a Nonresident Partner Required to File a North Carolina Income Tax Return?

A nonresident individual partner is not required to file a North Carolina income tax return when the only income from North Carolina sources is the nonresident's share of income from a partnership doing business in North Carolina, and the partnership pays the full amount of tax shown due for the nonresident individual partner on the partnership's income tax return. This guidance also applies to nonresident individual partners of a Taxed Partnership.

Important: This guidance does not apply to a partner classified as a corporation, a partnership, an estate, or a trust.

On the Partner's North Carolina Tax Return, can a Partner Claim their Distributive Share of North Carolina Income Tax Paid by the Partnership?

- If the partnership did not make the election to be a Taxed Partnership, the partnership must pay North Carolina income tax on behalf of a nonresident partner if the partner does not provide the partnership with a completed Form NC-NPA. The nonresident partner is allowed to claim the partner's share of net tax paid to North Carolina by the partnership. **Reminder:** The partnership must report the nonresident partner's share of net tax paid to North Carolina on Line 9 of Form NC K-1, Partner's Share of North Carolina Income, Adjustments, and Credits. (*See Form NC K-1 available on the Department's website.*)
- If the partnership makes the election to be a Taxed Partnership, the Taxed Partnership must pay North Carolina income tax at the entity-level on the aggregate amount of income attributable to North Carolina for **all** partners except partners classified as corporations or partnerships. The partner not classified as a corporation or a partnership is **NOT** allowed to claim the partner's share of entity-level tax paid to North Carolina by the Taxed Partnership.

Reminder: The partnership must **NOT** report the partner's share of entity-level tax paid to North Carolina on Line 9 of Form NC K-1.

Note: A Taxed Partnership must pay North Carolina income tax on behalf of a nonresident partner classified as a corporation or a partnership if the partner does not provide the partnership with a completed Form NC-NPA. The nonresident partner is allowed to claim the partner's share of net tax paid to North Carolina by the partnership. **Reminder:** The partnership must report the nonresident partner's share of net tax paid to North Carolina on Line 9 of Form NC K-1.

Is a Partnership Required to Pay Estimated Income Tax?

A partnership that does not make the election to be a Taxed Partnership is not required to pay estimated income tax. **Important:** A partnership that makes the election to be a Taxed Partnership is generally required to make estimated income tax payments if the Taxed Partnership expects to have a North Carolina income tax liability of \$500 or more. *(For more information, see the Department's Important Notice dated April 14, 2022, and Form NC-40 PTE available on the Department's website.)*

Can a Partner Take a Deduction on the Partner's North Carolina Tax Return if the Partnership Pays Entity-Level Tax to Another State?

A resident individual partner may deduct the amount of the partner's share of income **NOT** attributable to North Carolina if a partnership pays the tax on the income at the entity-level in another state or the District of Columbia. **Note:** Because this deduction is based on income **NOT** attributable to North Carolina, the partnership will **NOT** provide the partner with the amount of the deduction on Form NC K-1. However, the partnership must provide the partner with written documentation of the amount of the deduction. *(For more information, see instructions for Form D-400 Schedule S, Line 38 on page 19 of 2023 Form D-401, North Carolina Individual Income Tax Instructions.)*

What Tax Credits are Available to Partnerships?

All tax credits available to individuals are available to partnerships with the exception of the tax credit for income taxes paid to other states. *(For more information on tax credits, see page 14 of these instructions.)*

Will a Partnership Owe Interest?

Interest. If a partnership does not pay the total amount of North Carolina income tax owed, the Department is required to charge interest on any unpaid tax. Interest is computed at the applicable rate from the original due date of the return to the date of payment, regardless of whether the partnership has been granted an extension. To obtain the current interest rate, visit the Department's website.

If the partnership pays North Carolina income tax after the original due date of the return, compute the amount of interest due and include the interest on Form D-403, Part 1, Line 21b.

Interest on the Underpayment of Estimated Income Tax. A partnership that makes the election to be a Taxed Partnership may be subject to interest on the underpayment of estimated income tax if the Taxed Partnership does not pay enough estimated income tax or the estimated income tax is paid late. The interest may apply even if the Taxed Partnership does not owe additional income tax or is due a refund. To determine if the Taxed Partnership owes interest on the underpayment of estimated income tax, complete Form NC-429B PTE, Underpayment of Estimated Tax by Taxed Pass-Through Entities, which is available on the Department's website.

Will a Partnership Owe Penalties?

Failure to File Penalty. A partnership income tax return filed after the original or extended due date (whichever is later) is subject to a penalty for failure to file a return on the date it is due. The penalty is calculated at a rate of five percent (5%) of the net tax due for each month, or part of a month, the return is late (maximum twenty-five percent (25%)). When

applicable, include this penalty on Form D-403, Line 21a.

Failure to Pay Penalty. A partnership income tax return filed after the original due date with a balance due is subject to a penalty for failure to pay tax when due. The penalty is calculated at a rate of five percent (5%) of the net tax due, regardless of how late the tax is paid.

Generally, the failure to pay penalty applies to any tax not paid by the original due date. However, if the partnership was granted an extension to file its partnership income tax return and the partnership paid at least ninety percent (90%) of the tax due by the original due date, the penalty will not be automatically assessed. If the 90% rule is met, any remaining balance due, including interest, must be paid with the tax return on or before the extended due date to avoid the late payment penalty. When applicable, include this penalty on Form D-403, Line 21a.

Failure to File an Informational Return. A partnership income tax return filed after the original or extended due date (whichever is later) is subject to an informational return penalty. The penalty is calculated at a rate of \$50 per day with a maximum of \$1,000. The penalty for failure to file an informational return applies regardless of whether the partnership income tax return shows tax due, no tax due, or an overpayment. When applicable, include this penalty on Form D-403, Line 21a.

What is the Tax Rate?

A partnership is subject to the same tax rate as an individual. For tax year 2023, the individual income tax rate is 4.75%.

What Forms Should a Partnership File?

Form D-403. A partnership required to file a North Carolina tax return must file Form D-403, using the same tax year the partnership used for federal income tax purposes. **Important:** The partnership must file a Form D-403 for the form year in which the tax year begins. For example, a partnership whose tax year begins on or after January 1, 2023, must use the 2023 Form D-403.

The 2023 Form D-403 may also be used if:

- The partnership has a tax year of less than 12 months that begins in 2023. **Important:** If the partnership's tax year is less than 12 months, fill in the beginning and ending dates for the tax year and fill-in the "Short Period" circle located on page 1 of Form D-403.
- The 2024 Form D-403 is not available at the time the partnership is required to file its tax return.

Form D-403 must contain all of the information required by the Secretary, including the partnership's gross income, the deductions allowed under the Internal Revenue Code, each partner's distributive share of the partnership's income, and any North Carolina adjustments. Importantly, a partner's distributive share of income **includes** guaranteed payments made to the partner from the partnership.

Form NC-PE. Every partnership that is required to add North Carolina adjustments to the partnership's total income (loss), or is allowed to deduct North Carolina adjustments from the partnership's total income (loss), must complete Form NC-PE and attach it to Form D-403. *(For more information, see the instructions for Part 7 on page 13.)*

Form D-403TC. Every partnership entitled to claim a tax credit must complete Form D-403TC and attach it to Form D-403 if the partnership has (1) allocated some or all of a tax credit to its nonresident owners or partners on whose behalf the partnership pays North Carolina income tax, or (2) applied a partner's distributive share of a tax credit against the partner's distributive share of the Taxed Partnership's income tax. **Note:** A partnership claiming a tax credit may also have a requirement to attach Form NC-478 or Form NC-Rehab to Form D-403. *(For more information, see instructions for Form D-403TC starting with page 14 of these instructions.)*

Form NC-NPA. A nonresident partner that does not wish for the partnership to calculate and pay North Carolina income tax due on behalf of the nonresident partner must complete Form NC-NPA and provide the completed form to the partnership. Form NC-NPA affirms that the partner is not subject to North Carolina income tax or that the partner will pay the tax with its applicable North Carolina tax return. The Form NC-NPA must be signed by the

partner. An unsigned form is not valid. *(For more information, see Form NC-NPA available on the Department's website.)*

Form NC K-1. Every partnership required to file a partnership income tax return must prepare and give a Form NC K-1 to every person who was a partner in the partnership at any time during the year. This form is used to report each partner's share of the partnership's income, North Carolina adjustments, tax credits, etc. **Important:** Form NC K-1 must be provided to each partner on or before the day on which the North Carolina partnership return is required to be filed. *(For more information, see Form NC K-1 available on the Department's website.)*

Form NC K-1 Supplemental Schedule. Every partnership that reports North Carolina adjustments to a partner on Form NC K-1 must prepare and give Form NC K-1 Supplemental Schedule to that partner. This form is used to provide the partner with information necessary for the partner to prepare its applicable North Carolina tax return. *(For more information, see Form NC K-1 Supplemental Schedule available on the Department's website.)*

Important: Any facsimile or substitute form must be approved by the Department of Revenue prior to its use. If you use computer-generated returns, the software company is responsible for requesting approval and receiving an assigned identification number. The Department publishes a list of software developers who have received approval on our website. Photocopies of the return are not acceptable. **Returns that cannot be processed by the Department's imaging and scanning equipment will be returned to the taxpayer with instructions to refile on an acceptable form.**

With the exception of Part 5 and Part 6, attachments may not be used as a substitute for completing Form D-403. If supporting documents are required, a partnership that mails a paper copy of Form D-403 to the Department must attach the supporting documents behind the tax return. The supporting documents must contain all required information (including the partnership's federal identification number), follow the format of the official schedules, and must be attached in the same sequence as the schedules appear on Form D-403.

When Must the Return be Filed?

A partnership income tax return must be filed on or before the 15th day of the 4th month following the date the partnership's tax year ended. For example, for calendar year partnerships, the due date is April 15th. **Note:** When the due date of the partnership income tax return falls on a Saturday, Sunday, or a legal holiday in North Carolina or in the District of Columbia, a return filed by the next business day after the Saturday, Sunday, or legal holiday will be considered timely filed. *(For more information on timely mailing North Carolina tax returns, see "Directive TA-18-1" available on the Department's website.)*

Can a Partnership Get an Extension to File?

A partnership that receives an automatic extension to file its federal return of partnership income will be granted an automatic extension to file its North Carolina partnership income tax return, Form D-403. In order to receive the extension, the partnership **MUST** fill in the "Federal Extension" circle on page 1 of Form D-403. **Important:** A partnership that fails to certify on the partnership income tax return that the partnership was granted a federal extension is subject to all applicable penalties.

If a partnership is not granted an automatic federal extension to file the federal return of partnership income, the partnership may still request an extension of time to file Form D-403 by filing Form D-410P, Application for Extension for Filing Partnership, Estate, or Trust Tax Return, by the original due date of the partnership income tax return. **Important:** Without a valid extension, a partnership income tax return filed after the original due date is subject to interest and all applicable penalties.

Where Do I File the Return?

If a partnership chooses not to eFile its partnership income tax return, the return must be mailed to the following address:

**NORTH CAROLINA DEPARTMENT OF REVENUE
P.O. BOX 25000
RALEIGH, NC 27640-0640**

For information on eFile for businesses, visit the Department's website.

Who Can Sign the Return?

The partnership income tax return must be signed by the managing partner. If the return is prepared by a person or firm other than a partner, it must also be signed by the individual preparing the return. If the partnership is a limited partnership, the return must be signed by a general partner. The managing or general partner should provide a telephone number where that partner may be reached during the day if the Department needs additional information to process the return.

If the partnership wants to allow a paid preparer to discuss certain tax matters with the Department, the managing or general partner must check the applicable box located in the signature area on page 6 of Form D-403. If the box is checked, the managing partner is authorizing the Department to call the paid preparer to answer any questions that may arise during the processing of the return. The managing or general partner is also authorizing the paid preparer to:

- Give the Department any information that is missing from the return;
- Call the Department for information about the processing of the return or the status of the refund or payment(s);
- Receive copies of notices or transcripts related to the return, upon request; and
- Respond to proposed notices of assessment or notices of adjustment.

Important: The managing or general partner is not authorizing the paid preparer to receive any refund check, bind the partnership (including any additional tax liability), or otherwise represent the partnership before the Department in an audit or a request for a Departmental review. Those types of matters require a Power of Attorney, GEN-58, to be filed with the Department. Paid preparer authority is extended only to an individual paid preparer, not to other employees of a company. *(For more information on Power of Attorney, visit the Department's website.)*

How Can a Partnership Pay the Tax Due?

If the partnership owes North Carolina income tax, the Department offers the following payment options:

Electronic

- A partnership that uses approved eFile software to file its partnership income tax return can generally pay North Carolina income tax due electronically (provided the eFile software vendor supports an option to pay). **Note:** Check the Department's website for a list of approved eFile software products.
- A partnership can pay North Carolina income tax due electronically using the Department's website. To pay tax due via the Department's website, select "File & Pay" and then select "Partnership Tax" under "Tax Category." **Note:** The partnership can pay tax due by bank draft (without a convenience fee), or by credit or debit card (with a convenience fee).

Mail

A partnership can pay North Carolina income tax due by paper check. **Do not send cash.** The Department will not accept a check, money order, or cashier's check unless it is drawn on a U.S. (domestic) bank and the funds are payable in U.S. dollars.

If the partnership wishes to mail a paper check, the partnership must complete Form D-403V, Partnership Income Payment Voucher. Make the partnership's check or money order payable to the N.C. Department of Revenue for the full amount due. *(For more information, see Form D-403V available on the Department's website.)*

Mail the applicable form(s) and the paper check to the following address:

**NORTH CAROLINA DEPARTMENT OF REVENUE
P.O. BOX 25000
RALEIGH, NC 27640-0640**

A partnership that uses a tax software to prepare its partnership income tax return should include Form D-403V and payment with its partnership income tax return generated by the software package. **Important:** If the partnership owes additional tax on a 2023 amended partnership income tax return, see "Instructions for Amending Form D-403, Partnership Income Tax Return," on page 16 of these instructions. In addition, Form D-403V Amended should be used when making a payment for a 2023 amended partnership income tax return.

Instructions for Form D-403, Partnership Income Tax Return

If you are filling out Form D-403 by hand, please use black or blue ink only. Do not use red ink or pencil. Print your letters and numbers neatly. If you do not have an entry for a particular line, leave it blank. Do not use dashes, zeros or other symbols to indicate that you have no entry for that line. *(For more information on how to avoid common mistakes when filing the partnership's tax return, see "Before You Begin" on page 2 of these instructions.)*

Demographic and Other Taxpayer Information

Name, Address, and Identification Numbers. Enter the partnership's name, address, Federal Employer Identification Number, and North Carolina Secretary of State number (when applicable) on the appropriate lines.

Initial Return. If this is the partnership's first return in North Carolina, fill in the circle on page 1 of Form D-403.

Amended Return. If this is an amended return, fill in the circle on page 1 of Form D-403. **Note:** The partnership must provide a complete explanation as to the reason(s) for filing an amended return, including specific schedule and line number references, in the space provided on page 5 of Form D-403. *(For more information on filing an amended return, see page 16 of these instructions.)*

Final Return. If this is the partnership's final return in North Carolina because the partnership terminated or ceased doing business in North Carolina during the tax year, fill in the circle on page 1 of Form D-403.

Short Period. If this is neither the partnership's initial return nor the partnership's final return, and the partnership has a tax year of less than 12 months, fill in the circle on page 1 of Form D-403.

Partnership is LLC. If the entity is an LLC and is classified as a partnership for federal income tax purposes, fill in the circle on page 1 of Form D-403.

Partnership has Nonresident Owners. If the partnership has one or more nonresident owners, fill in the circle on page 1 of Form D-403.

NC-NPAs Attached. If the partnership did not pay income tax on behalf of one or more nonresident partners, fill in the circle on page 1 and attach Form NC-NPA to Form D-403. *(Form NC-NPA is available from the Department's website.)*

NC-478 Attached. If the partnership claimed a tax credit that is limited to 50% of the entity's income tax, fill in the circle on page 1 and attach Form NC-478 to Form D-403. *(Form NC-478 is available from the Department's website.)*

Publicly Traded Partnership. If the partnership is a "publicly traded partnership" as described in IRC section 7704(c), fill in the circle on page 1 of Form D-403.

NC-PE Attached. If a partnership added North Carolina adjustments to federal income (loss) or deducted North Carolina adjustments from federal income (loss), fill in the circle on page 1 and attach Form NC-PE to Form D-403. *(Form NC-PE is available from the Department's website.)*

North Carolina Education Endowment Fund Contribution. A

partnership may elect to contribute to the North Carolina Education Endowment Fund by making a contribution to the fund. To make a contribution, simply enclose Form NC-EDU and the partnership's payment with the partnership's Form D-403. If the partnership owes additional income tax on its return and would like to make a contribution to the fund, the partnership may write one check and enclose the check with both Form NC-EDU and Form D-403V. To designate part of the partnership's overpayment to the North Carolina Education Endowment Fund, see the instructions for Form D-403, Part 1, Line 26 on page 11.

Taxed Partnership Election. All partnerships must fill in a circle answering either "Yes" or "No" to the "Taxed Partnership" question on page 1 of Form D-403. For North Carolina income tax purposes, a partnership that is required to file a partnership income tax return that elects to pay income tax at the entity-level is a Taxed Partnership. *(For information on whether a partnership is eligible to make the Taxed Partnership election for 2023, see page 3 of these instructions.)*

The Taxed Partnership question must be answered by **ALL** partnerships, not just partnerships that wish to make the election to be a Taxed Partnership for tax year 2023. If an eligible partnership answers "Yes" to the Taxed Partnership question, the partnership is a Taxed Partnership for tax year 2023. If the partnership answers "No" to the Taxed Partnership question (or fails to respond to the question), the partnership is **NOT** a Taxed Partnership for tax year 2023.

Reminder: A partnership cannot make the election to be a Taxed Partnership if the partnership income tax return is filed after the due date of the return, including extension.

Federal Extension. All partnerships must fill in a circle answering either "Yes" or "No" to the "Federal Extension" question on page 1 of Form D-403. This question must be answered by all partnerships, not just partnerships that were granted an automatic extension to file federal Form 1065. **Important:** If the partnership does not answer "Yes" to the Federal Extension question, the partnership is subject to all applicable penalties. *(For more information on late filing penalties, see page 5 of these instructions.)*

Part 1. Informational Return and Tax Due for Nonresident Partners and Taxed Partnership

Lines 1 through 10

All partnerships complete these lines.

Line 1. Income (Loss). Enter the income (loss) for the partnership for the tax year. Before making this entry, you must complete Part 5 and Part 6 of Form D-403. *(For more information, see page 13 of these instructions.)* **Reminder:** If you are filling out the handwritten version of Form D-403, and the amount on Line 1 is negative, fill in the circle located next to Line 1.

Line 2. Guaranteed Payments to Partners. Enter the total amount of guaranteed payments made to all partners for services or for the use of capital.

Line 4. Additions to Income (Loss). Enter the amount of North Carolina adjustments required to be added to federal income (loss). Before making this entry, you must review Form NC-PE to determine if the partnership is required to add the specific North Carolina

adjustment to federal income (loss). Part A of Form NC-PE lists all North Carolina adjustments required to be added to federal adjusted gross income by an **individual** who files a North Carolina income tax return. Some of the adjustments do not apply to a partnership. To determine if a North Carolina addition applies to a partnership, review applicable federal and North Carolina tax law. **Example:** Line 14, "Taxed Pass-Through Entity Loss," does not apply to a partnership. (See G.S.105-153.5(c3))

Line 6. Deductions from Income (Loss). Enter the amount of North Carolina adjustments allowed to be deducted from federal income (loss). Before making this entry, you must review Form NC-PE to determine if the partnership is allowed to deduct the specific North Carolina adjustment from federal income (loss). Part B of Form NC-PE lists all North Carolina adjustments allowed to be deducted from federal adjusted gross income by an **individual** who files a North Carolina income tax return. Some of the adjustments do not apply to a partnership. To determine if a North Carolina deduction applies to a partnership, review applicable federal and North Carolina tax law. **Example:** Line 38, "Taxed Pass-Through Entity Income," does not apply to a partnership. (See G.S.105-153.5(c3))

Line 8. Nonapportionable Net Distributive Partnership Income (Loss). If a partnership conducts business in North Carolina and at least one other state and has income that should be classified as nonapportionable income, enter the total amount of nonapportionable net distributive income (loss) as reported on Part 3, Line 1 of Form D-403. If the partnership's business is conducted entirely within North Carolina, leave Line 8 blank. (For more information on apportionable and nonapportionable income, refer to the Corporate Income and Franchise Tax Bulletin available from the Department's website.)

Reminder: If you are using the handwritten version of Form D-403, fill in the circle located next to Line 8 if the amount reported on Part 3, Line 1 is a nonapportionable loss.

Line 10. Nonapportionable Net Distributive Partnership Income (Loss) Allocated to North Carolina. If a partnership conducts business in North Carolina and at least one other state and has income that should be classified as nonapportionable income, enter the total amount of nonapportionable net distributive income (loss) allocated to North Carolina as reported on Part 3, Line 2 of Form D-403. If the partnership's business is conducted entirely within North Carolina, leave Line 10 blank. (For more information on apportionable and nonapportionable income, refer to the Corporate Income and Franchise Tax Bulletin available from the Department's website.)

Reminder: If you are using the handwritten version of Form D-403, fill in the circle located next to Line 10 if the amount reported on Part 3, Line 2 is a nonapportionable loss.

Lines 11 through 13

A partnership that has nonresident partners or that is a Taxed Partnership must complete these lines if the partnership has North Carolina income tax due. Before making any entries on these lines, you must complete Part 4 of Form D-403 and any applicable forms or schedules.

Line 11. Tax Due for Nonresident Partners and Taxed Partnership. Enter the amount of tax due for (1) nonresident partners on whose behalf the partnership is required to pay tax, and (2) the Taxed Partnership. (For more information, see instructions starting on page 12 for Part 4.)

Line 12. Tax Credits Allocated to Nonresident Partners and Taxed Partnership. Enter the amount of tax credits that the partnership is entitled to take if the tax credits were allocated to (1) nonresident partners on whose behalf the partnership is required to pay tax, and (2) partners whose distributive share of income was included in the Taxed Partnership's North Carolina taxable income. (For more information, see instructions starting on page 12 for Part 4.)

Reminder: If a tax credit is claimed on Line 12, Form D-403TC must be filed with Form D-403. Failure to attach Form D-403TC to Form D-403 may result in the disallowance of a tax credit.

Line 13. Net Tax Due for Nonresident Partners and Taxed Partnership. Enter the amount of tax due for (1) nonresident partners on whose behalf the partnership pays tax, and (2) the Taxed Partnership. (For more information, see instructions starting on page 12 for Part 4.)

Lines 14 through 27

All partnerships that are due a refund or that owe North Carolina income tax, interest or penalties must complete these lines.

Line 14. Payments.

- a. **Extension.** If the partnership filed Form D-410P, Application for Extension for Filing 2023 Partnership Tax Return, enter the amount paid with the extension application on Line 14a.
- b. **Other Partnerships.** If, for tax year 2023, the partnership had North Carolina income tax paid on its behalf by another partnership, enter the total amount paid on Line 14b. **Reminder:** If an amount is entered on Line 14(b) and the partnership received a Form NC K-1 from another partnership, attach the form to Form D-403.
- c. **Withholding from Services.** If the partnership had North Carolina income tax withheld from compensation earned for services performed in North Carolina during tax year 2023, enter the total amount of North Carolina income tax withheld attributable to all nonresident partners on Line 14(c). **Reminder:** The partnership must attach to its Form D-403 all 1099 forms received by the partnership that report North Carolina tax withheld.
- d. **Other.** If the partnership made payments of North Carolina income tax not specifically listed on Lines 14a through 14c, (including estimated income tax payments), enter the total amount paid on Line 14d.

Line 15. Additional Payments (Amended Returns Only). For more information, see page 16 of these instructions.

Line 17. Previous Refunds (Amended Returns Only). For more information, see page 16 of these instructions.

Line 19. Tax Due. If Line 18 is less than Line 13, the partnership owes additional tax. Subtract Line 18 from Line 13 and enter the result on Line 19.

Line 20. Overpayment Before Penalties and Interest. If Line 18 is greater than Line 13, the partnership has overpaid its tax. Subtract Line 13 from Line 18 and enter the amount of the overpayment on Line 20.

Line 21a. Penalties. Enter the amount of penalties due. Penalties imposed on a partnership include, but are not limited to, the following:

- **Failure to timely file an informational return on the date it is due.** This penalty applies to a partnership income tax return filed after the due date of the return, including extensions, regardless of whether the tax return reflects a tax due, an overpayment, or no tax due. The penalty is calculated at a rate of \$50 per day with a maximum penalty amount of \$1,000.
- **Failure to timely file a tax return on the date it is due.** This penalty applies to a partnership income tax return filed after the due date of the return, including extensions, if the tax return reflects a tax due. The penalty is calculated at a rate of 5% of the tax due for each month, or part of a month, the tax return is late, not to exceed 25%.
- **Failure to pay tax when due.** This penalty applies to a partnership income tax return filed after the due date of the return, not including extensions.

For more information on penalties that apply to partnerships, see page 5 of these instructions.

Line 21b. Interest. Enter the amount of interest due on the tax reported on Line 19. Interest is charged on taxes paid after the original due date even if an extension of time to file the tax return is granted. The rate is established semiannually by the Secretary of Revenue and is listed on the Department's website.

Line 21c. Interest on the Underpayment of Estimated Income Tax (Taxed Partnerships Only). If a Taxed Partnership owes interest on the underpayment of estimated tax, enter the amount of interest on Line 21c. **Note:** Interest on the underpayment of estimated income tax may increase the tax liability of the Taxed Partnership or reduce its overpayment.

To determine if underpayment interest is due, complete Form NC-429B PTE, Underpayment of Estimated Tax by Taxed Pass-Through Entities, available from the Department's website. **Important:** A Taxed Partnership may be able to reduce or eliminate underpayment interest if the Taxed Partnership qualifies for one of the exceptions listed below.

Exceptions to Underpayment of Estimated Tax. In certain cases, a Taxed Partnership may reduce or eliminate underpayment interest. If one of the exceptions listed below applies to the Taxed Partnership, enter the applicable code in the "exceptions box" located above Line 21c and enter the amount of underpayment interest, if any, on Line 21c.

- **Not a Taxed Partnership in Prior Year.** If the Taxed Partnership did not make the election to be a Taxed Partnership in North Carolina for tax year 2022, the Taxed Partnership is not subject to estimated tax interest. If this exception applies, enter a "P" in the "exceptions box" located above Line 21c, and leave Line 21c blank.
- **Short Taxable Year.** If the Taxed Partnership's tax year is less than four months, or if the requirements to make an estimated tax payment were not met before the first day of the last month in the short tax year, the Taxed Partnership is not subject to estimated tax interest. If this exception applies, enter an "S" in the "exceptions box" located above Line 21c, and leave Line 21c blank.
- **Annualized Income.** If the Taxed Partnership annualized its taxable income for tax year 2023, the partnership may be able to reduce or eliminate underpayment interest. If this exception

applies, enter an "A" in the "exceptions box" located above Line 21c, and enter the amount of underpayment interest due, if any, on Line 21c.

Line 22. Amount Due. Enter the total amount of tax, penalties, and interest due for tax year 2023.

The partnership can pay the amount of tax due online using the Department's website or mail a check or money order to the Department. *(For additional details, see page 8 of these instructions.)*

Line 23. Overpayment After Penalties and Interest. See the instructions in the box located above Line 22 of Form D-403.

Line 24. 2024 Estimated Income Tax. If the partnership has overpaid its tax for tax year 2023, the partnership may elect to have a portion of its overpayment applied to its estimated tax for the following year by entering the amount to be applied on Line 24. **Reminder:** The election to apply any overpayment to 2024 cannot be changed after the 2023 return is filed.

Note: The last allowable date to make a 2024 estimated income tax payment is December 15, 2024. Therefore, to apply the 2023 refund to tax year 2024, the partnership must file its 2023 tax return by December 15, 2024.

Line 25. North Carolina Nongame and Endangered Wildlife Fund. A partnership may elect to contribute part or all of its overpayment to the North Carolina Nongame and Endangered Wildlife Fund (Wildlife Fund). The tax deductible contribution is essential to match private and federal grants to pay for conservation projects from sea turtles to songbirds, and native fish to bats. Conserving these species and their habitat is made possible by contributions. Donations provide most of the funds for conservation of North Carolina's endangered species and native backyard wildlife.

If the partnership wishes to contribute to the Wildlife Fund, enter the amount of the contribution on Line 25. **The election to contribute to the Wildlife Fund can not be changed after the return is filed.** If the partnership is not due a refund, it may still contribute to this Wildlife Fund by mailing a donation directly to:

North Carolina Wildlife Resources Commission
1702 Mail Service Center
Raleigh, North Carolina 27699-1700

Checks should be made payable to the Nongame & Endangered Wildlife Fund. For more information about the Fund, check out www.ncwildlife.org/Give-Donate.

Line 26. North Carolina Education Endowment Fund. The North Carolina Education Endowment Fund (North Carolina Education Fund) was created to provide additional support and funding for K-12 public schools. If the partnership wishes to contribute part or all of its overpayment to the North Carolina Education Fund, enter the amount of the contribution on Line 26. **The election to contribute to the North Carolina Education Fund can not be changed after the return is filed.**

If the partnership is not due a refund, it may still contribute to the North Carolina Education Fund by (1) making a contribution with its tax return, or (2) mailing a donation directly to the State.

If the partnership makes a contribution with its tax return, the partnership **MUST** send a Form NC-EDU (North Carolina Education Fund Payment Voucher), along with its contribution. Form NC-EDU is a personalized voucher that allows the Department to process the contribution accurately and efficiently with fewer errors. To generate Form NC-EDU, visit the Department's website.

If the partnership wishes to make a donation directly to the State, mail the contribution to:

North Carolina Department of Public Instruction, Cash Collections
6336 Mail Service Center,
Raleigh, North Carolina 27699-6336

Line 27. Amount to be Refunded. Enter the amount of overpayment to be refunded on Line 27. The amount to be refunded cannot exceed Line 23 minus the total of Lines 24, 25, and 26.

Part 2. Apportionment Percentage

A partnership whose trade or business activities in North Carolina are unified and integrated with its trade or business activities in another state is required to apportion its partnership income (loss). Partnership income (loss) must be apportioned using the partnership's sales factor only. **Important:** The partnership's sales factor is a ratio determined using the corporate apportionment formula outlined in G.S. 105-130.4. *(For more information on the sales factor, see the Corporate Income and Franchise Tax Bulletin available on the Department's website.)*

Part 3. Nonapportionable Net Distributive Partnership Income (Loss)

If a partnership classified partnership income (loss) as nonapportionable on Part 1, Line 8 or Part 1, Line 10, Part 3 must be completed. **Important:** For North Carolina income tax purposes, apportionable income means all income that is apportionable under the United States Constitution. Nonapportionable income means all income other than apportionable income. *(For more information on nonapportionable income, see the Corporate Income and Franchise Tax Bulletin available on the Department's website.)*

Part 4. Partner Information and Tax Calculation for Nonresident Partners and Taxed Partnerships

A. Partners' Share of Income, Adjustments, Tax Credits, and Other Items

All partnerships must complete Part A.

Lines 1 through 3. Enter each partner's identification number, name, and address.

Line 4. Enter each partner's percentage share of profit and loss used for federal income tax purposes. *(From partner's federal Schedule K-1 for Form 1065)* **Note:** If a partner's percentage share of profit is not the same as the partner's percentage share of loss, write "various" on Line 4 and attach a schedule to Form D-403 that lists each partner's percentage share of profit and loss.

Line 5. Enter each partner's entity type from the following list: C Corp, Estate, Foreign Gov, Grantor Trust, Individual, IRA, Partnership, S Corp, Tax Exempt or Trust.

Note: If the partner is an LLC, enter the entity type that corresponds with the partner's federal tax classification. If the partner is a disregarded entity, such as a single member LLC that did not elect to be treated as a corporation, enter the entity type of the beneficial owner.

Line 6. If the partnership entered North Carolina additions on Part 1,

Line 4, enter each partner's distributive share of the additions on Line 6.

Line 7. If the partnership entered North Carolina deductions on Part 1, Line 6, enter each partner's distributive share of the deductions on Line 7.

Reminder: For Lines 6 and 7, the partnership must furnish Form NC K-1 Supplemental Schedule to each partner that was allocated North Carolina additions or deductions. *(Form NC K-1 Supplemental Schedule is available on the Department's website.)*

Line 8. If the partnership did not elect to be a Taxed Partnership for tax year 2023 **AND** the partnership qualified to claim a tax credit in 2023, enter each partner's distributive share of the tax credit passed through to the partner. The partnership **MAY NOT** pass through to the partner a tax credit that is required to be taken in installments if the first installment of the tax credit was taken in a taxable period for which the election to be a Taxed Partnership was in effect. **Important:** If the partnership made an election to be a Taxed Partnership for tax year 2023 and the first installment of the tax credit was taken in a taxable period for which the election to be a Taxed Partnership was not in effect, the partnership must pass through to the partner the partner's distributive share of the tax credit installment the partnership is qualified to claim in 2023. *(For more information on tax credits and Taxed Partnerships, see G.S. 105-154.1(c)).*

NC Resident. All partnerships must fill in one circle for each partner answering either "Yes" or "No" to the "NC Resident" question located under Line 8 of Part A. **Important:** If the partnership does not answer "Yes" to the NC Resident question for one or more partners, the Department may enforce the partnership's liability for the tax not paid on each partner's share of the income by sending the partnership a notice of proposed assessment in accordance with G.S. 105-241.9.

B. Income Attributable to North Carolina

All partnerships must complete Part B.

Line 9. If the partnership reported guaranteed payments to partners on Part 1, Line 2, enter each partner's distributive share of the guaranteed payment applicable to the partnership's apportionable income (loss).

Line 14. If the partnership reported guaranteed payments to partners on Part 1, Line 2, enter each partner's distributive share of the guaranteed payment applicable to the partnership's nonapportionable income (loss) allocated to North Carolina.

Line 16. If, for federal income tax purposes, the partnership was required to report to its partners items of income that required special treatment on the individual partners' tax return (i.e., a separately stated item of income), enter each partner's distributive share of that income item on Line 16 **ONLY** if the income was not reported on Part 1, Line 1 for Form D-403. *(For more information on what is considered a separately stated item of income, see the instructions for federal Form 1065.)*

C. Tax Computation for Nonresident Partners

All partnerships must complete Part C for all nonresident partners on whose behalf the partnership is required to pay North Carolina income tax.

NC-NPA Form Attached. If a partnership is required to pay tax due on behalf of a nonresident partner, the partnership must fill

in a circle answering either “Yes” or “No” to the “NC-NPA Form Attached” question located above Line 18. If the partnership answers “Yes” to the question, Form NC-NPA must be attached to Form D-403. If the partnership answers “No” to the question (or fails to respond to the question), the partnership is required to pay tax due on the nonresident partner’s distributive share of income attributable to North Carolina. **Important:** If the partnership answers “Yes” to the “NC-NPA Form Attached” question but fails to attach a valid Form NC-NPA to Form D-403 for a nonresident partner, the Department is required to assess the partnership tax due based on the nonresident partner’s distributive share of income attributable to North Carolina.

Reminder: A partnership that is comprised of one or more nonresident partners that **DID NOT MAKE** the election to be a Taxed Partnership for tax year 2023 is required to pay tax due on behalf of all of its nonresident partners unless the partner is eligible to and completes Form NC-NPA. A partnership that is comprised of one or more nonresident partners that **DID MAKE** the election to be a Taxed Partnership for tax year 2023 is required to pay tax due on behalf of all nonresident partners classified as a corporation or a partnership unless the partner completes Form NC-NPA. *(For more information on what type of partner is eligible to file Form NC-NPA, see Form NC-NPA, Nonresident Partner Affirmation, available from the Department’s website.)*

Line 18. For each nonresident partner on whose behalf the partnership is required to pay tax, multiply the amount reported on Line 17 by 4.75%.

Line 19. For each nonresident partner on whose behalf the partnership is required to pay tax, enter the nonresident partner’s distributive share of tax credit the partnership is qualified to take in 2023. Before making this entry, the partnership must complete Form D-403TC. **Important:** The amount entered in the Partners’ Total column cannot exceed the amount entered on Line 13 of Form D-403TC. *(For more information on Form D-403TC, see page 14 of these instructions.)*

Line 20. For each nonresident partner on whose behalf the partnership is required to pay tax, subtract Line 19 from Line 18. **Note:** When filing an amended return, see page 16 of these instructions.

Reminder: The partnership must furnish each partner the information necessary for the partner to file its North Carolina tax return. *(For more information, see Form NC K-1 and NC K-1 Supplemental Schedule, available from the Department’s website.)*

D. Partners’ Share of Taxed Partnership’s Tax Credits

All Taxed Partnerships must complete Part D for each partner NOT classified as a corporation or a partnership.

Lines 21 and 22. If the partnership is a Taxed Partnership, enter the identification number and name of each partner **NOT** classified as a corporation or a partnership.

Line 23. If the partnership is a Taxed Partnership, enter the distributive share of tax credits the Taxed Partnership is eligible to claim for each partner **NOT** classified as a corporation or a partnership. **Important:** A Taxed Partnership cannot claim any tax credit required to be taken in installments if the first installment of

the tax credit was taken in a taxable period for which an election to be a Taxed Partnership was not in effect. *(For more information on tax credits and Taxed Partnerships, see G.S. 105-154.1(c)).*

E. Tax Computation of Taxed Partnership

All Taxed Partnerships must complete Part E for each partner NOT classified as a corporation or a partnership.

Line 24. If the partnership is a Taxed Partnership, enter each partner’s distributive share of income attributable to North Carolina if the partner is **NOT** classified as a corporation or a partnership.

Important: For the applicable partners, the amount entered on Line 24 must equal the amount entered on Part 4, Line 17 for the same partner.

Line 25. If the partnership is a Taxed Partnership, multiply the Partners’ Total as reported on Line 24 by 4.75%.

Line 26. If the partnership is a Taxed Partnership, enter the total amount of tax credits the Taxed Partnership is qualified to take in 2023. Before making this entry, the Taxed Partnership must complete Form D-403TC. **Important:** The amount entered on Line 26 cannot exceed the amount entered on Line 13 of Form D-403TC. *(For more information on Form D-403TC, see page 14 of these instructions.)*

Line 27. If the partnership is a Taxed Partnership, subtract Line 26 from Line 27.

Reminder: The partnership must furnish each partner the information necessary for the partner to file its North Carolina tax return. *(For more information, see Form NC K-1 and NC K-1 Supplemental Schedule, available from the Department’s website.)*

Part 5. Ordinary Business Income (Loss)

The computation of the partnership’s net income from its trade or business activities follows the determination of ordinary income as defined by the Internal Revenue Code. All partnerships must transfer the information from federal Form 1065, Lines 1 through 22 to Part 5. **Note:** In lieu of completing Part 5, the partnership may attach a copy of federal Form 1065 and all supporting schedules to Form D-403.

Part 6. Partners’ Distributive Share Items

Line 1. Enter the partnership’s ordinary business income (loss). **Note:** The amount entered on Line 1 must equal the amount reported on Part 5, Line 22, or federal Form 1065, Line 22.

Lines 2-11. Enter the amounts reported by the partnership on federal Form 1065, Schedule K, Lines 2 through 11. **Note:** In lieu of completing Part 6, the partnership may attach a copy of federal Form 1065 and all supporting schedules to Form D-403.

Part 7. Adjustments to Income (Loss)

When calculating North Carolina taxable income, a partnership may be required (or allowed) to make certain North Carolina adjustments to income (loss). If a partnership makes North Carolina adjustments

to income (loss), it **MUST** complete Form NC-PE and attach the form to Form D-403. **Reminder:** Both pages of Form NC-PE must be attached to Form D-403, even if the partnership completes only one part of the form. Failure to attach both pages of the form may cause the Department to be unable to process the partnership tax return.

Important: Form NC-PE lists **ALL** North Carolina adjustments permitted to an **individual** who is required to file a North Carolina individual income tax return. Only adjustments allowed by North Carolina law can be claimed by the partnership. Some of the adjustments listed on Form NC-PE do not apply to a partnership. To determine if a North Carolina adjustment applies to a partnership, review applicable federal and North Carolina tax law. **Example:** Line 38, "Taxed Pass-Through Entity Income," does not apply to a partnership. (See G.S. 105-153.5(c3))

If you do not see an item listed on Form NC-PE that you think should be an addition or a deduction, you should contact the Department before making the adjustment.

Instructions for Form D-403TC, Partnership Tax Credit Summary

Form D-403TC and, if applicable, Form NC-478, and Form NC-Rehab must be filed by every partnership eligible to take a tax credit or an installment of a tax credit against its tax due. In addition, the partnership must attach a schedule showing the computation of each tax credit claimed and each partner's distributive share of that tax credit.

Instructions for partnerships that do not make the election to be a Taxed Partnership in 2023. A partnership that does not elect to be a Taxed Partnership may apply each nonresident partner's distributive share of the partnership's tax credit against the tax due on behalf of the nonresident partner. The partnership **MAY NOT** apply a tax credit against the tax due on behalf of the nonresident partner if the tax credit is required to be taken in installments and the first installment of the tax credit was taken in a taxable period for which the election to be a Taxed Partnership was in effect.

Instructions for Taxed Partnerships. A Taxed Partnership that qualifies to claim a tax credit may apply each non-corporate or non-partnership partner's distributive share of the Taxed Partnership's tax credit against the partner's distributive share of the Taxed Partnership's tax due. A Taxed Partnership **MAY NOT** claim a tax credit against the partner's distributive share of the Taxed Partnership's tax due, if the tax credit is required to be taken in installments and the first installment of the tax credit was taken in a taxable period for which the election to be a Taxed Partnership was not in effect. **Important:** A Taxed Partnership that has nonresident partners classified as corporations or partnerships may **NOT** apply these partners' distributive share of the Taxed Partnership's tax credit against the tax due on behalf of the nonresident partner.

(For more information on tax credits and Taxed Partnerships, see G.S. 105-154.1(c)).

If the partnership claims a tax credit on Form D-403, Line 12, the partnership MUST attach Form D-403TC to Form D-403. If the partnership does not, the Department may be unable to process the partnership's return. Failure to substantiate a tax credit may result in the disallowance of the tax credit.

Part 1. Tax Credits Not Subject to 50% of Tax Limit

Article 3D - Historic Rehabilitation Tax Credits. To claim a tax credit on Line 1 or Line 2, the partnership must obtain an eligibility certification from the State Historic Preservation Office. (For additional information, see Article 3D of Chapter 105 and the Corporate Income Tax Bulletin, available from the Department's website.)

Line 1. Rehabilitating an Income-Producing Historic Structure. Enter the installment amount of the tax credit for rehabilitating an income-producing historic structure. **Important:** If the partnership took the first installment of the tax credit in 2023, enter the amount of qualified rehabilitation expenditures on Part 4, Line 14. **DO NOT** enter an amount on Part 4, Line 14, when the partnership takes any future installment of the tax credit or takes any carryforward of an unused installment of the tax credit.

Line 2. Rehabilitating a Nonincome-Producing Historic Structure. Enter the installment amount of the tax credit for rehabilitating a nonincome-producing historic structure. **Important:** If the partnership took the first installment of the tax credit in 2023, enter the amount of rehabilitation expenses on Part 4, Line 15. **DO NOT** enter an amount on Part 4, Line 15, when the partnership takes any future installment of the tax credit or takes any carryforward of an unused installment of the tax credit.

Article 3H - Mill Rehabilitation Tax Credit. To claim a tax credit on Line 3 or Line 4, the partnership must obtain an eligibility certification from the State Historic Preservation Office. **Note:** When the eligible site is placed into service in two or more phases in different years, the amount of credit that may be claimed in a year is limited to the amount of expenses associated with the phase placed into service during that year. (For additional information, see Article 3H of Chapter 105 and the Corporate Income Tax Bulletin, available from the Department's website.)

Line 3. Rehabilitating an Income-Producing Historic Mill Facility. Enter the total amount of tax credit for rehabilitating an income-producing historic mill facility. **Important:** If the partnership took the tax credit in tax year 2023, enter the amount of qualified rehabilitation expenditures on Part 4, Line 16. **DO NOT** enter an amount on Part 4, Line 16, when the partnership takes any carryforward of the unused tax credit.

Line 4. Rehabilitating a Nonincome-Producing Historic Mill Facility. Enter the installment amount of the tax credit for rehabilitating a nonincome-producing historic mill facility. **Important:** If the partnership took the first installment of the tax credit in 2023, enter the amount of rehabilitation expenses on Part 4, Line 17. **DO NOT** enter an amount on Part 4, Line 17, when the partnership takes any future installment of the tax credit or takes any carryforward of an unused installment of the tax credit.

Article 3L - Historic Rehabilitation Tax Credits Investment Program. To claim a tax credit on Line 5 or Line 6, the partnership must obtain an eligibility certification from the State Historic Preservation Office. **Note:** When an income-producing structure is placed into service in two or more phases in different years, the amount of credit that may be claimed in a year is limited to the amount of expenditures associated with the phase placed into service during that year. (For additional information, see Article 3L of Chapter 105 and the Corporate Income Tax Bulletin, available from the Department's website.)

If the partnership claims a tax credit under Article 3L, the partnership MUST complete Form NC-Rehab and attach it to the front of Form D-403. If the partnership does not, the Department may be unable to process the partnership's return. Failure to substantiate a tax credit may result in the disallowance of the tax credit.

Line 5. Rehabilitating an Income-Producing Historic Structure. Enter the total amount of tax credit for rehabilitating an income-producing historic structure. *(From Form NC-Rehab, Part 4, Line 23.)*

Line 6. Rehabilitating a Nonincome-Producing Historic Structure. Enter the total amount of the tax credit for rehabilitating a nonincome-producing historic structure. *(From Form NC-Rehab, Part 4, Line 26.)*

Line 7. Tax Credits Carried Over From Previous Year - Taxed Partnerships Only. Enter the amount of tax credits carried over from previous tax years. **Important:** Do not include any carryover of income tax credits taken on Form NC-478 or Form NC-Rehab.

Line 9. Amount of Income Tax due. Enter the amount of income tax due from Form D-403, Part 1, Line 11.

Part 2. Tax Credits Subject to 50% of Tax Limit

Line 11. Total Tax Credits Subject to 50% Limit Taken in 2023. Enter the total amount of tax credits taken by the partnership in 2023 that are limited to 50% of the partnership's tax due. Generally, the Form NC-478 series is used to calculate and report these types of credits. *(For additional information on the Form NC-478 series, see the instructions for the NC-478 series, available from the Department's website.)*

Important: A partnership that qualified for a tax credit that has expired or sunset may generally continue to take any remaining installments in 2023 if the partnership continues to meet the statutory eligibility requirements previously required of each particular tax credit.

Part 3. Total of Credits Applied to 2023

Line 12. Reserved. DO NOT USE THIS LINE. This line will be used by the Department to accommodate future changes to the 2023 tax return, if applicable. **The unauthorized use of this line may prevent the Department from processing the partnership's tax return.**

Line 13. Tax Credits Taken in 2023. Add Lines 10 through 12 and enter the sum of tax credits to be taken for tax year 2023. *(For partnerships that do not elect to be a Taxed Partnership, enter this amount on Form D-403, Part 4, Line 19. For Taxed Partnerships, enter this amount on Form D-403, Part 4, Line 26.)*

Part 4. Qualified Rehabilitation Expenditures and Expenses

Line 14. Qualified Rehabilitation Expenditures for Rehabilitating Income-Producing Historic Structure. If tax year 2023 is the first year the partnership took an installment of the income-producing tax credit allowed under Article 3D, enter the total amount of

qualified rehabilitation expenditures incurred. **Note:** The qualified rehabilitation expenditures must have been incurred before January 1, 2015.

Line 15. Rehabilitation Expenses for Rehabilitating Nonincome-Producing Historic Structure. If tax year 2023 is the first year the partnership took an installment of the nonincome-producing tax credit allowed under Article 3D, enter the total amount of rehabilitation expenses incurred. **Note:** The rehabilitation expenses must have been incurred before January 1, 2015.

Line 16. Qualified Rehabilitation Expenditures for Income-Producing Rehabilitated Mill Property. If tax year 2023 is the first year the partnership took the income-producing tax credit allowed under Article 3H, enter the total amount of qualified rehabilitation expenditures incurred.

Line 17. Rehabilitation Expenses for Nonincome-Producing Rehabilitated Mill Property. If tax year 2023 is the first year the partnership took an installment of the nonincome-producing tax credit allowed under Article 3H, enter the total amount of rehabilitation expenses incurred.

Instructions for Amending Form D-403, Partnership Income Tax Return

A partnership must use the 2023 Form D-403 to amend its 2023 partnership income tax return. Unless specifically instructed otherwise, the partnership should complete the return in its entirety. For lines on the amended return that are unchanged from the original return, the partnership should enter the amount from the original return.

When filing an amended Form D-403, fill in the “Amended Return” circle located in the demographic section on page 1, and provide a complete explanation as to the reason(s) for filing an amended return in the space provided on page 5 of Form D-403. You must also attach the following information to the partnership’s amended return as documentation to support the changes, if applicable:

- A copy of a federal audit report.
- A copy of an amended federal Form 1065 or federal Form 1065-X and supporting federal schedules and forms if changes are also applicable to your State return.
- Form NC K-1 to verify tax payments made on the partnership’s behalf by other pass-through entities.
- Federal Form 1099 statement(s) to verify a change in income tax withheld.
- Any other required schedule or supporting form.

If the partnership filed Form NC-PE or Form D-403TC with the original Form D-403, the partnership MUST file the form(s) with the amended Form D-403, even if there is no change to the form(s).

Taxed Partnership Election. An eligible partnership **MAY NOT** make or revoke the Taxed Partnership Election by filing an amended Form D-403 after the original Form D-403 is filed.

Part 1, Lines 1 through 10. Make any necessary changes to the original Form D-403 by showing the corrected amount on Lines 1 through 10, if applicable. **Important:** If the amount reported on Lines 4 or 6 is different from the amount originally reported, enter the amount from the corrected Form NC-PE. Attach the corrected Form NC-PE to the amended Form D-403. **Note:** If you are filling out the handwritten version of Form D-403, and the corrected amount of Line 1, 3, 5, 7, 8, 9, or 10 is negative, fill in the circle located next to line.

Part 1, Lines 11 through 13. Before making necessary changes to these lines, you must complete Part 4. If the amount reported on Line 12 is different from the amount originally reported, you must attach the corrected Form D-403TC to the amended Form D-403.

Part 1, Lines 14a through 14d. Make any necessary changes to the original Form D-403 by showing the corrected amount on Lines 14a through 14d.

Part 1, Line 15. Enter the amount of North Carolina income tax paid, if any, shown on Line 19 of the original Form D-403, plus any additional tax paid after the original Form D-403 was filed. **DO NOT include payments of interest or penalties (Form D-403, Line 21d).**

Note: If the partnership did not pay the amount of tax reflected on Form D-403, Line 19, enter only the amount of tax actually paid.

Part 1, Line 17. Enter the amount of overpayment, if any, shown the original return (Form D-403, Line 23). If the overpayment claimed on the original return was previously adjusted by the Department, enter the adjusted overpayment on Line 17. **Important:** Include any portion of the overpayment that was previously refunded, applied to any outstanding debt or estimated income tax, or contributed to the North Carolina Nongame and Endangered Wildlife Fund or the North Carolina Education Endowment Fund. **DO NOT** include interest received on any refunds.

Part 1, Line 18. If Line 17 is greater than Line 16, the partnership previously received a refund greater than it was entitled to. **If you are filling out the handwritten version of Form D-403, and the amount on Line 18 is negative, fill in the circle located next to Line 18.**

Part 1, Line 22. If Line 22 reflects an amount due, the partnership must complete **Form D-403V Amended, Amended Partnership Income Payment Voucher**, if the partnership mails a paper check for payment of tax due. Form D-403V Amended is available from the Department’s website. The voucher allows the Department to process the amended partnership income tax return payment more accurately and efficiently with fewer errors. Enclose the completed voucher and payment with the partnership’s amended tax return. **Do not send cash.** The Department will not accept a check, money order, or cashier’s check unless it is drawn on a U.S. (domestic) bank and the funds are payable in U.S. dollars.

Part 1, Line 24. If the partnership previously applied part or all of an overpayment to estimated income tax, (Form D-403, Line 24), **DO NOT** enter the amount again on the amended return. However, if the amended return reflects an additional overpayment, the partnership may apply that overpayment to estimated income tax by entering the amount on Line 24. **The election to apply an overpayment to estimated income tax cannot be changed after the North Carolina partnership return is filed.**

Important: In order to apply an overpayment to estimated income tax, the amended return must be filed on or before the last allowable date to make an estimated income tax payment for the tax year. For tax year 2024, the last allowable date a calendar year Taxed Partnership can make an estimated income tax payment is December 15, 2024. Therefore, to apply an overpayment to 2024 estimated income tax, the Taxed Partnership must file the amended D-403 on or before December 15, 2024.

Part 1, Lines 25 and 26. If the partnership previously contributed part or all of an overpayment to either the North Carolina Nongame and Endangered Wildlife Fund or the North Carolina Education Endowment Fund, (Form D-403, Line 25 or Line 26), **DO NOT** enter the amount again on the amended return. However, if the amended return reflects an additional overpayment, the partnership may contribute that

overpayment to either fund by entering the contribution on Line 25 or Line 26, respectively. **The election to contribute an overpayment to the North Carolina Nongame and Endangered Wildlife Fund or the North Carolina Education Fund cannot be changed after the North Carolina partnership return is filed.**

Part 1, Line 27. Enter the amount of overpayment to be refunded to the partnership on Line 27.

Part 2 and Part 3. Make any necessary changes to the original Form D-403 by showing the corrected amount on the applicable line.

Part 4, Lines 1 – 32. Make necessary changes to the original Form D-403 by showing the corrected amount on the applicable line. **Important:** If the amount reported on Line 6, 7, 8, 19, 23, or 26 is different from the amount originally reported, the partnership must complete a corrected Form NC-PE, Form D-403TC, Form NC-478, or Form NC-Rehab, if applicable. In addition, review the following specific line instructions.

- **Line 6 or 7.** If the amount reported on Line 6 or 7 is different from the amount originally reported for any partner, enter the corrected amount of the partner's distributive share of North Carolina additions or deductions, if applicable.
- **Line 8.** If the amount reported on Line 8 is different from the amount originally reported for any partner, enter the corrected amount of the partner's distributive share of tax credit that the partner can claim.
- **Line 19.** If the amount reported on Line 19 is different from the amount originally reported for any partner, enter the corrected amount of the nonresident partner's distributive share of tax credit used against tax due. **Important:** The partnership must attach a schedule showing the computation of each tax credit claimed and each partner's distributive share of that tax credit.
- **Line 20.** A partnership **MAY NOT** request a refund of an overpayment made on behalf of a nonresident partner if the partnership has already filed its return and paid the tax due. The nonresident partner may, on its own income tax return, request a refund of an overpayment made on its behalf by the partnership within the statute of limitations for refunds. Therefore, if the amount of Line 20 for a nonresident partner is less than the amount originally reported on Line 20 for that nonresident partner, the partnership **MUST** enter the amount originally reported on Line 20 for that nonresident partner.
- **Line 23.** If the amount reported on Line 23 is different from the amount originally reported for any partner, enter the corrected amount of each partner's distributive share of tax credit the Taxed Partnership is eligible to claim.
- **Line 26.** If the amount reported on Line 26 is different from the amount originally reported, enter the corrected amount. **Important:** The partnership must attach a schedule showing the computation of each tax credit claimed and each partner's distributive share of that tax credit.

Part 5 and Part 6. Make any necessary changes to the original Form D-403 by showing the corrected amount on the applicable line.

Part 7. Make any necessary changes to the original Form NC-PE by showing the corrected amount on the applicable line, and enter the corrected amounts on Part 1, Line 4 or Part 1, Line 6, if applicable. Attach the corrected Form NC-PE to the amended Form D-403.

Form NC K-1 (and Form NC K-1 Supplemental Schedule, if applicable). If a partnership files an amended Form D-403 for a tax year, the partnership must furnish each impacted partner an amended Form NC K-1 (and Form NC K-1 Supplemental Schedule, if applicable) to report the partner's share of the partnership's income (loss), North Carolina adjustments, North Carolina tax credits, etc. if the information originally reported to the partner has changed. The partnership must provide the partner with information necessary for the partner to file the applicable North Carolina tax return.