

North Carolina

Department of Revenue

ATTENTION:

NEW NC-4 WITHHOLDING FORMS

ENCLOSED

**IMMEDIATE
ACTION
REQUIRED**

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

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

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

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

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

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

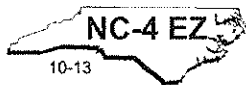
Likewise, all recipients of pension or annuity payments must complete and provide to their payer a new Withholding Certificate for Pension or Annuity Payments, Form NC-4P, in order to withhold the correct amount of State income tax for any pension payment periods beginning on or after January 1, 2014.

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

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

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

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



Employee's Withholding Allowance Certificate

North Carolina Department of Revenue

Social Security Number _____

Marital Status

____ Single ____ Head of Household ____ Married or Qualifying Widow(er)

First Name (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS)

M.I.

Last Name

Address _____

County (Enter first five letters)

City _____

State _____

Zip Code (5 Digit) _____

Country (If not U.S.) _____



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employee's Signature _____ Date _____

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



Employee's Withholding Allowance Certificate

North Carolina Department of Revenue

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

PURPOSE - Complete Form NC-4, Employee's Withholding Allowance Certificate, so that your employer can withhold the correct amount of State income tax from your pay. **If you do not provide a new NC-4 to your employer, your employer is required to withhold based on single with zero allowances.**

FORM NC-4 EZ - A new form was created for tax year 2014 for taxpayers who intend to claim either: exempt status, or the N.C. standard deduction and no tax credits or only the credit for children.

FORM NC-4 BASIC INSTRUCTIONS - Complete the Allowance Worksheet. The worksheet will help you figure the number of withholding allowances you are entitled to claim. The worksheet is provided for employees to adjust their withholding allowances based on N.C. itemized deductions, federal adjustments to income, N.C. additions to federal adjusted gross income, N.C. deductions from federal adjusted gross income, or N.C. tax credits. However, you may claim fewer allowances if you wish to increase the tax withheld during the year. If your withholding allowances decrease, you must file another NC-4 with your employer within 10 days after the change occurs. Exception: When an individual ceases to be head of household after maintaining the household for the major portion of the year, a new NC-4 is not required until the next year.

TWO OR MORE JOBS - If you have more than one job, figure the total number of allowances you are entitled to claim on all jobs using one Form NC-4 Allowance Worksheet. Your withholding will usually be most accurate when all allowances are claimed on the NC-4 filed for the higher paying job and zero allowances are claimed for the other. You should also refer to the Multiple Jobs Table to determine the additional amount to be withheld on line 2 of Form NC-4 (See Allowance Worksheet).

NONWAGE INCOME - If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form NC-40 to avoid underpayment of estimated tax interest. Form NC-40 is available on our website at www.dornc.com under individual income tax forms.

HEAD OF HOUSEHOLD - Generally you may claim head of household status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. Note: "Head of Household" for State tax purposes is the same as for federal tax purposes.

QUALIFYING WIDOW(ER) - You may claim qualifying widow(er) status only if your spouse died in either of the two preceding tax years and you meet the following requirements:

1. Your home is maintained as the main household of a child or stepchild for whom you can claim a federal exemption; and
2. You were entitled to file a joint return with your spouse in the year of your spouse's death.

MARRIED TAXPAYERS - For married taxpayers, both spouses must agree as to whether they will each complete the Allowance Worksheet based on married filing jointly or married filing separately.

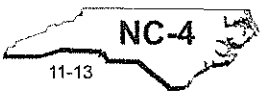
- For married taxpayers completing the Allowance Worksheet based on married filing jointly, you will consider the sum of both spouses incomes, adjustments, additions, deductions, and credits on the Allowance Worksheet to determine the number of allowances.
- For married taxpayers completing the worksheet on the basis of married filing separately, each spouse will consider only his or her portion of income, adjustments, additions, deductions, and credits on the Allowance Worksheet to determine the number of allowances.

All NC-4 forms are subject to review by the North Carolina Department of Revenue. Your employer may be required to send this form to the North Carolina Department of Revenue.

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



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



Employee's Withholding Allowance Certificate

North Carolina Department of Revenue

1. Total number of allowances you are claiming for 2014
(Enter zero (0), or the number of allowances from Page 2, line 16 of the NC-4 Allowance Worksheet)

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

.00

Social Security Number <input type="text"/>		Marital Status <input type="radio"/> Single <input type="radio"/> Head of Household <input type="radio"/> Married or Qualifying Widow(er)	
First Name (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS) <input type="text"/>		M.I. <input type="text"/>	Last Name <input type="text"/>
Address <input type="text"/>			County (Enter first five letters) <input type="text"/>
City <input type="text"/>	State <input type="text"/>	Zip Code (5 Digit) <input type="text"/>	Country (If not U.S.) <input type="text"/>

Employee's Signature _____

Date _____

I certify, under penalties provided by law, that I am entitled to the number of withholding allowances claimed on line 1 above.

NC-4 Allowance Worksheet

Part I



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

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

Single -

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

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

Married Filing Jointly -

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

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

Married Filing Separately -

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

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

Head of Household-

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

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

NC-4 Allowance Worksheet

Qualifying Widow(er) -

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

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

NC-4 Part II

1. Enter your total estimated 2014 N.C. itemized deductions from Page 3, Schedule 1 1. \$ _____.
2. Enter the applicable N.C. standard deduction based on your filing status.

}	\$ 7,500 if single
	\$15,000 if married filing jointly or qualifying widow(er)
	\$ 7,500 if married filing separately
	\$12,000 if head of household

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

NC-4 Allowance Worksheet Schedules

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

Schedule 1

Estimated 2014 N.C. Itemized Deductions

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

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

Schedule 2

Estimated 2014 Federal Adjustments to Income

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

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

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

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

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

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

Schedule 3

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

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

NC-4 Allowance Worksheet Schedules

Schedule 4

Estimated 2014 N.C. Tax Credits

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

Credit for Children

A taxpayer who is allowed a federal child tax credit under section 24 of the Internal Revenue Code is allowed a tax credit for each dependent child unless adjusted gross income exceeds the threshold amount shown below.

The credit can be claimed only for a child who is under 17 years of age on the last day of the year.

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

Additional Tax Credits and Carryovers

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

Multiple Jobs Table

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

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

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

Additional Withholding for Head of Household Filers with Multiple Jobs

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

Frequently Asked Questions
Re: Employee's Withholding Allowance Certificate NC-4EZ/NC-4 &
Withholding Certificate for Pension or Annuity Payments NC-4P

General

Q1. Why is it necessary for me to complete a new Employee's Withholding Allowance Certificate for tax year 2014?

A1. The North Carolina General Assembly recently enacted House Bill 998 which becomes effective for taxable years beginning on or after January 1, 2014. Under this new law, all taxpayers will be allowed a higher standard deduction and will be taxed at a lower rate. However, taxpayers may no longer claim a personal exemption for themselves, their spouse, children, or any other qualifying dependents. Additionally, many deductions and tax credits that impact North Carolina withholding tax are no longer available for tax years beginning on or after January 1, 2014.

Q2. What is the difference between the NC-4EZ and the NC-4?

A2. The NC-4EZ is a new, simplified form which should suffice for most taxpayers. The NC-4 is the complete form which may result in a more accurate withholding amount, but requires historical tax information and will involve estimates.

Employee

Q3. Which form should I use, the NC-4EZ or the NC-4?

A3. Any employee may use the NC-4EZ. Employees who will claim zero (0) allowances or only allowances available for taxpayers who expect to claim a tax credit for children will find the NC-4EZ easier to complete.

However, an employee may wish to complete the NC-4 if they expect to claim any of the following on their 2014 N.C. individual income tax return: large N.C. itemized deductions; federal adjustments to income or State deductions from income; tax credits; filing status of married filing jointly where the spouse's combined wages and taxable pensions do not exceed \$5,000; filing status of married filing jointly and the spouse will receive only non-taxable pensions; filing status of qualifying widow(er).

Q4. If my wages will exceed \$100,000, can I still use the NC-4EZ?

A4. Yes. Any employee may use the NC-4EZ.

Frequently Asked Questions
Re: Employee's Withholding Allowance Certificate NC-4EZ/NC-4 &
Withholding Certificate for Pension or Annuity Payments NC-4P

Q5. Can I submit the federal W-4, instead of completing North Carolina's Employee's Withholding Allowance Certificate?

A5. No, federal and State laws are different. The federal W-4 cannot be used as a substitute for either the NC-4EZ or NC-4.

Q6. Can I claim the same number of allowances that I claimed on my last NC-4?

A6. The method of determining the number of allowances to which you are entitled for tax year 2014 is different than in years past. Unless you claimed zero (0) allowances on your most recent NC-4, you may not be entitled to as many allowances as you would have been entitled to in the past.

Q7. What will happen if I do not complete and return a new NC-4EZ or NC-4 to my employer?

A7. Your employer will be required to withhold from your wages as a single person with zero allowances.

Q8. Are North Carolina itemized deductions the same amount that you claim on federal Schedule A, itemized deductions?

A8. No. For tax years beginning on or after January 1, 2014, North Carolina itemized deductions only include the following items:

- *Qualified mortgage interest¹*
- *Real estate property taxes¹*
- *Charitable contributions²*

¹The sum of your mortgage interest and real estate property taxes may not exceed \$20,000. Even if filing as married filing separately, the \$20,000 limitation applies to the combined total qualified mortgage interest and real estate property taxes claimed by both spouses, rather than to each spouse separately.

² You may claim the same amount of charitable contributions on your North Carolina tax return as you are allowed to deduct on your 2014 federal return.

Frequently Asked Questions
Re: Employee's Withholding Allowance Certificate NC-4EZ/NC-4 &
Withholding Certificate for Pension or Annuity Payments NC-4P

Q9. North Carolina does not tax my social security income, retirement income deductible under *Bailey*, or railroad retirement benefits received under the Railroad Retirement Act. Why is there no deduction for these amounts on the Allowance Worksheet, Part II, Line 4?

A9. The purpose of the Employee's Withholding Allowance Certificate is to determine the amount of tax to be withheld from your taxable wages. Exempt income, such as those listed, is received separately from your taxable wages and should not be considered for the purposes of the Allowance Worksheet, Part II, Line 4.

Q10. My deductions for social security income, retirement income deductible under *Bailey*, or railroad retirement benefits received under the Railroad Retirement Act are not considered on the Allowance Worksheet, Part II, Line 4. Why are they considered on the Allowance Worksheet, Part II, Line 13 in the case of certain taxpayers who intend to file their 2014 N.C. individual income tax return as married filing jointly?

A10. The withholding tax tables were created under the premise that both spouses, who intend to file as married filing jointly, would earn taxable wages. An employee who is completing the Allowance Worksheet as married filing jointly should determine the total combined allowances for both spouses. If one spouse does not earn taxable wages, Line 13 makes additional allowances available to the spouse who is earning taxable wages.

Q11. Neither the educator expense nor the tuition and fees deduction are listed as available deductions on Schedule 2 of the Allowance Worksheet. Why would I not consider these deductions?

A11. The adjustment to income for (1) educator expenses and (2) tuition and fees both expire for tax years beginning on or after January 1, 2014. Therefore, you may not deduct either of these items for purposes of determining your 2014 N.C. withholding allowances.

Q12. I have two jobs. Do I need to complete a new NC-4EZ or NC-4 for my second employer?

A12. Yes. You must complete a new NC-4EZ or NC-4 for each employer. Refer to the Multiple Jobs Table of the Form NC-4 instructions for more information.

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Q13. If I meet the conditions to claim exempt from North Carolina withholding, why do I have to complete a new NC-4EZ or NC-4 each year?

A13. North Carolina law requires income tax to be withheld from all wages; however, the law does allow an exemption from withholding if certain conditions are met. Because your circumstances may change from year to year, an exempt status is good for only one year at a time.

Employer/Pension Payer

Q14. May we assist employees with completing the Employee's Withholding Allowance Certificate, for tax year 2014?

A14. Yes. However, the employee is ultimately responsible for furnishing a signed certificate. The number of allowances reported on the certificate shall not exceed the amount of allowances to which the employee is entitled.

Q15. Are pre-taxed health insurance premiums a deduction for the purpose of completing the NC-4 Allowance worksheet?

A15. No. Pre-tax items are not included in taxable income and similarly should not be included when completing the NC-4 Allowance worksheet.

Q16. When do we send a NC-4EZ or NC-4 to the Department?

A16. If an employee claims more than 10 allowances, you should forward this document to the Department and keep a copy for your records.

Q17. Does the employer have to provide both the NC-4 & the NC-4EZ to their employees?

A17. No. Every employee shall furnish his or her employer with a signed Employees' Withholding Allowance Certificate. Both the NC-4 and NC-4EZ are Employee Withholding Allowance Certificates. Only one needs to be submitted.

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Q18. What should pension providers do if no new NC-4P is on file and the recipient had indicated on the 2013 NC-4P that the recipient didn't want any State income tax withheld from the pension distribution?

A18. If the recipient of periodic pension payments had previously made a valid election not to have taxes withheld, the election remains in effect until revoked by the recipient. Pension payers who make nonperiodic distributions must withhold 4% of the distribution to recipients who have not furnished a new NC-4P.