

SUBCHAPTER 6D - ESTIMATED TAX

SECTION .0100 - FILING ESTIMATED INCOME TAX PAYMENTS

17 NCAC 06D .0101 FORMS

History Note: Authority G.S. 105-163.15; 105-163.18; 105-254; 105-262;
Eff. February 1, 1976;
Amended Eff. February 1, 1988; August 1, 1986;
Repealed Eff. June 1, 1993.

17 NCAC 06D .0102 REQUIREMENTS FOR FILING

(a) A married couple may make joint payments of estimated income tax even if the couple is not living together; however, the married couple may not make joint estimated tax payments if the couple is separated under a decree of divorce or of separate maintenance. The married couple may not make joint estimated tax payments if either spouse is a nonresident alien or if either spouse has a different tax year. Whether a married couple makes joint estimated tax payments or separate payments shall not affect the couple's choice of filing a joint income tax return or separate return. If the married couple makes joint payments and then the couple files separate returns, the spouses may determine how to divide the estimated tax payments between them.

(b) A taxpayer filing a short period return because of changing his or her income year shall make estimated income tax payments on the installment dates that fall within the short period and 15 days after the close of the short period that would have been due had the taxpayer not changed his or her income year. Interest on an underpayment of estimated income tax for a short period shall be computed for the period of underpayment based on the tax shown due on the short period return and computed in the same manner as it would have been computed had the taxpayer not changed his income year.

(c) An individual may elect to have his or her income tax refund applied only to estimated income tax for the following year. A return reflecting an election to apply a refund to estimated tax for the following year shall be filed by the last allowable date for making estimated tax payments for that year for the election to be valid.

(d) If an individual makes a valid election, that individual may not revoke the election after the return has been filed in order to have the amount refunded or applied in any other manner, such as an offset against any subsequently determined tax liability.

History Note: Authority G.S. 105-163.15; 105-262;
Eff. February 1, 1976;
Amended Eff. May 1, 2006; June 1, 1993; October 1, 1991; June 1, 1990; February 1, 1988;
Readopted Eff. May 1, 2016.

SECTION .0200 – INTEREST ON UNDERPAYMENT OF ESTIMATED INCOME TAX

17 NCAC 06D .0201 GENERAL

Interest may be due for underpayment of estimated income tax. The interest is computed separately for each payment period, therefore an individual may owe interest for an early period even if that individual later paid enough to make up the underpayment. If an individual did not pay enough tax by the due date of each of the payment periods, the individual may owe interest even if the individual is due a refund when the return is filed.

History Note: Authority G.S. 105-163.15; 105-236(a)(9); 105-241.21; 105-262;
Eff. February 1, 1976;
Amended Eff. May 1, 2006; June 1, 1990; August 1, 1986; February 21, 1979;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. July 26, 2015.

17 NCAC 06D .0202 THE AMOUNT OF UNDERPAYMENT (TAXABLE YEARS BEFORE 1986)

17 NCAC 06D .0203 THE PERIOD OF UNDERPAYMENT (TAXABLE YEARS BEFORE 1986)

17 NCAC 06D .0204 AVOIDING PENALTY (TAXABLE YEARS BEFORE 1986)

History Note: Authority G.S. 105-163.15(b); 105-163.15(c); 105-163.15(d); 105-163.18; 105-262;
Eff. February 1, 1976;

*Amended Eff. June 1, 1982; April 12, 1981; February 21, 1979;
Repealed Eff. June 1, 1990.*

17 NCAC 06D .0205 ESTIMATED TAX PAYMENTS (TAXABLE YEARS AFTER 1986)

*History Note: Authority G.S. 105-163.15; 105-163.18; 105-262;
Eff. August 1, 1986;
Repealed Eff. June 1, 1990.*

17 NCAC 06D .0206 AVOIDING PENALTY

*History Note: Authority G.S. 105-163.15; 105-163.18; 105-262;
Eff. June 1, 1990;
Amended Eff. October 1, 1991;
Repealed Eff. June 1, 1993.*

17 NCAC 06D .0207 UNDERPAYMENTS

(a) An underpayment is the excess of the required installment (or, if lower, the annualized income installment) for a payment period over the portion of the amount paid by the due date that is not applied to an underpayment for an earlier payment period.

(b) Payments include income tax withheld and are considered payments of estimated tax in equal installments on the required installment dates (usual four), unless the individual can prove otherwise. A payment of estimated tax is credited against unpaid installments in the order in which the installments are required to be paid.

*History Note: Authority G.S. 105-163.15; 105-262;
Eff. June 1, 1990;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. July 26, 2015.*

17 NCAC 06D .0208 OVERPAYMENTS

An overpayment for any period occurs when the withholding and estimated tax payments are more than the total of any underpayments for an earlier period plus the lesser of the required installment or the annualized income installment for the period. If there is an overpayment for a period, it shall be carried to the next period and added to the withholding and estimated tax paid for that later period to determine any underpayment or overpayment for that later period.

*History Note: Authority G.S. 105-163.15; 105-262;
Eff. June 1, 1990;
Amended Eff. June 1, 1993;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. July 26, 2015.*

17 NCAC 06D .0209 DETERMINING AN UNDERPAYMENT

(a) No interest attributable to the underpayment of estimated tax will be due if the estimated tax payments were made on time and the payment for each period was at least as much as either the required installment or the annualized income installment for the period. Form D-422, Underpayment of Estimated Income Tax, shall be used to determine any underpayment.

(b) The required installment for any payment period is the lesser of 22.5 percent of the tax shown on the current-year return or 25 percent of the tax shown on the prior-year return (if the prior-year return covered all 12 months of the year). However, if the annualized income installment for any period is less than the required installment for the same period and the annualized income installment is used in determining the underpayment, the difference between the annualized income installment and the required installment shall be added to the required installment for the next period. If the annualized income installment for the next payment period is used, the difference between the annualized income installment for that period and the required installment (as increased) for that period shall be added to the required income installment for the following payment period.

(c) There will be no underpayment for any payment period in which the estimated tax payments, reduced by any amounts applied to underpayments in earlier periods, were paid by the due date for the period and were at least as much as the annualized income installment for the period.

History Note: Authority G.S. 105-163.15; 105-262;

Eff. June 1, 1990;

Amended Eff. September 1, 2008; June 1, 1993; October 1, 1991;

Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. July 26, 2015.

17 NCAC 06D .0210 PERIOD OF UNDERPAYMENT

(a) If a payment of estimated tax is applied to an underpayment for an earlier period, but the payment is less than the underpayment, there shall be more than one period of underpayment for the earlier period.

(b) The first period of underpayment for any payment period shall be from the day after the due date for the payment period to the date of the first applied payment. Later periods of underpayment for that payment period shall be from the day after the due date for the payment period to the date of the next applied payment or April 15 of the following year, whichever is earlier.

(c) To determine the interest for a payment period with more than one period of underpayment, interest shall be computed separately for each of the periods of underpayment using the number of days in each period of underpayment, the correct underpayment balance, and the appropriate interest rates.

History Note: Authority G.S. 105-163.15; 105-262;

Eff. June 1, 1990;

Amended Eff. May 1, 2006; June 1, 1993;

Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. July 26, 2015.

17 NCAC 06D .0211 FARMERS AND FISHERMEN

History Note: Authority G.S. 105-163.15; 105-163.18; 105-262;

Eff. June 1, 1990;

Repealed Eff. June 1, 1993.