



# NCDOR

NORTH  
CAROLINA  
DEPARTMENT  
OF REVENUE

April 15, 2021

## Supplement to 2020 D-401 North Carolina Individual Income Tax Instructions

*This supplement provides clarification to the following items not addressed in the 2020 Individual Income Tax Instructions.*

### Form D-400 Schedule S

**State, Local, or Foreign Income Tax Deducted by an S-Corporation, Partnership, or Estate & Trust.** Enter the amount of a shareholder's, partner's, or beneficiary's share of the amount deducted under section 164 of the Code as state, local, or foreign income tax by an S-Corporation, Partnership, or Estate & Trust on Form D-400 Schedule S, Line 5, S-Corporation Shareholder Built-in Gains Tax. Include a statement detailing the amount(s) claimed on line 5 with your return.

**Recipients of NC K-1s.** Beginning with tax year 2020, Form D-400 Schedule S was adjusted to provide separate lines to report each addition to federal adjusted gross income and deduction from federal adjusted gross income provided for by NC law. This change resulted in the removal of lines for "other additions" and "other deductions" from Form D-400 Schedule S.

Taxpayers that receive NC K-1s reporting adjustments to income or loss (additions or deductions) must report each separate adjustment reported on their NC K-1 on the relevant line of Form D-400 Schedule S. Generally, a break-out of the separate adjustments is provided on a supplemental statement attached to the NC K-1. If you are not provided enough information to identify the specific adjustment(s) reported on the NC K-1, you should contact the entity that issued the NC K-1 to obtain information sufficient to file your NC individual income tax return Form D-400.

### 2020 Unemployment Benefits not Subject to Federal Individual Income Tax

On March 11, 2021, the federal American Rescue Plan Act of 2021 ("ARPA"), was signed into law. The ARPA includes several coronavirus-related tax relief provisions, including a provision that makes the first \$10,200 of 2020 unemployment benefits not subject to federal individual income tax for households with an adjusted gross income ("AGI") of less than \$150,000 per year. The exclusion applies to the first \$10,200 of unemployment benefits for each spouse for married couples filing jointly. As of the date of this notice, North Carolina law has not incorporated any of the tax law changes enacted in the ARPA.

For individual income tax purposes, the starting point for determining North Carolina taxable income is AGI as defined in the Internal Revenue Code ("Code") as of a certain date. North Carolina currently references the Code as of May 1, 2020.