

Withholding Certificate for Pension or Annuity Payments

North Carolina Department of Revenue



Important: You must complete a new Form NC-4P 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. Form NC-4P is for North Carolina residents who are recipients of income from pensions, annuities, and certain other deferred compensation plans. Use the form to tell payers whether you want any State income tax withheld and on what basis. You can also use the form to choose not to have State income tax withheld. However, you cannot make this choice for eligible rollover distributions. The method and rate of withholding depends on whether the payment you receive is a periodic payment or a nonperiodic distribution. This form is also to be used by a nonresident with a North Carolina address to indicate that no tax is to be withheld from pension payments.

Caution: If you furnish a pension payer a *Withholding Certificate for Pension or Annuity Payments* 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. You may be subject to interest for underpayment of estimated income tax, that applies for not paying enough tax during the year, either through withholding or estimated tax payments. New retirees should see Form NC-40, Individual Estimated Income Tax, for details on the estimated income tax requirements. You may be able to avoid quarterly estimated income tax payments by having enough tax withheld from your pension or annuity using Form NC-4P.

PERIODIC PAYMENTS. Withholding from periodic payments of a pension or annuity is figured in the same manner as withholding from wages. Periodic payments are made in installments at regular intervals over a period of more than one year. They may be paid annually, quarterly, monthly, etc. If you want State income tax withheld, you should complete the **Form NC-4P Allowance Worksheet**. You can designate an additional amount to be withheld on line 3 of Form NC-4P. Submit the completed form to your payer. If you do not submit Form NC-4P to your payer, the payer must withhold on periodic payments as if you are married claiming three withholding allowances.

For periodic payments, your Form NC-4P stays in effect until you change or revoke it. Your payer must notify you each year of your right to choose not to have State income tax withheld or to revoke your election.

NONPERIODIC DISTRIBUTIONS - 4% WITHHOLDING. Your payer must withhold a flat 4% from a nonperiodic distribution unless you choose not to have income tax withheld. A nonperiodic distribution means any distribution which is not a periodic payment. (The 4% withholding is required on eligible rollover distributions and you cannot choose not to have income tax withheld from those distributions.) Distributions from an IRA that are payable on demand are treated as nonperiodic distributions. The election to withhold

from nonperiodic distributions applies to a distribution by distribution basis. If you choose not to have tax withheld from a nonperiodic distribution, you should check the box on line 1 of Form NC-4P and submit the completed form to your payer.

MISSING OR INCORRECT TAXPAYER IDENTIFICATION NUMBER. If you submit an NC-4P that does not contain the taxpayer identification number, or if the identification number is incorrect, the payer cannot honor your request not to have income tax withheld. The payer must withhold on periodic payments as if you are married claiming three withholding allowances. Withholding on nonperiodic distributions will be at the 4% rate.

REVOKING YOUR "NO WITHHOLDING" CHOICE. If you previously chose not to have State income tax withheld on either periodic or nonperiodic payments, complete another NC-4P and submit to your payer. Write "Revoked" next to the check box on line 1 of the form and tax will be withheld at the rate set by law.

IMPORTANT. Government retirees whose income is exempt from State tax as a result of the *Bailey Settlement* should choose no withholding by checking the box on line 1 of Form NC-4P.

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

North Carolina Department of Revenue Withholding Certificate for Pension or Annuity Payments

Type or print your first name and middle initial		Last name	Your social security number
Home address (number and street or rural route)		Claim or identification number (if any) of your pension or annuity contract	
City or town, state, and ZIP code			

Complete the following applicable lines:

- 1 Check here if you do not want any State income tax withheld from your pension or annuity. (Do not complete lines 2 or 3.)
- 2 Total number of allowances you are claiming for withholding from each **periodic** pension or annuity payment. (You may also designate an additional dollar amount on line 3.)
- 3 Additional amount, if any, you want withheld from each pension or annuity payment. **Note: For periodic payments you cannot enter an amount here without entering the number (including zero) of allowances on line 2.** \$

Your Signature

Date



Important: You must complete a new Form NC-4P 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-4P, Line 2. 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-4P, Line 2.

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-4P, Line 2. 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-4P, Line 2.

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-4P, Line 2. 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-4P, Line 2.

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-4P, Line 2. 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-4P, Line 2.

NC-4P 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-4P, Line 2. 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-4P, Line 2.

NC-4P 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. | 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 (<i>Do not enter less than zero</i>) | 9. | \$ _____ . |
| 10. Divide the amount on line 9 by \$2,500 . Round down to whole number | 10. | _____ |
| Ex. \$3,900 ÷ \$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. | 11. | \$ _____ . |
| 12. Divide the amount on line 11 by \$145. Round down to whole number | 12. | _____ |
| Ex. \$200 ÷ \$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: <i>Bailey</i> , 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 2 of your Form NC-4P, Withholding Certificate for Pension or Annuity Payments | 16. | _____ |

NC-4P Allowance Worksheet Schedules

Important: If you cannot reasonably estimate the amount to enter in the schedules below, you should enter ZERO (0) on line 2, NC-4P.

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-4P 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-4P 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-4P 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 3 of your **Form NC-4P**.

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