

# NC-4P Withholding Certificate for Pension or Annuity Payments

**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 single with no 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 on 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 single with no 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.

# NC-4P 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.) .....   
 Marital status:  Single  Married or Surviving Spouse  Head of Household (Enter number of allowances)
- 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

Answer **all** of the following questions **for your filing status**.

**Single -**

- 1. Will your N.C. itemized deductions from Page 3, Schedule 1 exceed \$11,249?      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 \$19,999?      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 \$6,250 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 \$11,249?      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 \$16,499?      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

## Surviving Spouse -

- |   |                              |                             |
|---|------------------------------|-----------------------------|
| 1. Will your N.C. itemized deductions from Page 3, Schedule 1 exceed \$19,999?                      | 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 N.C. itemized deductions from Page 3, Schedule 1 .....   | 1.  | \$ _____ . |
| 2. Enter the applicable N.C. standard deduction based on your filing status. <span style="font-size: 2em; vertical-align: middle;">}</span> \$ 8,750 if single<br>\$17,500 if married filing jointly or surviving spouse<br>\$ 8,750 if married filing separately<br>\$14,000 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 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 nonwage income (such as dividends or interest) .....  | 6.  | \$ _____ . |
| 7. Enter an estimate of your 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. | \$ _____ . |
| 12. Divide the amount on line 11 by \$140. Round down to whole number .....  | 12. | _____      |
| Ex. \$200 ÷ \$140 = 1.43 rounds down to 1  |     |            |
| 13. If filing as single, head of household, or married filing separately, enter zero (0) on this line.<br>If filing as surviving spouse, enter 3.<br>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 \$3,750, enter 2.  |     |            |
| (c) Your spouse expects to have combined wages and taxable pensions of more than \$3,750 but less than \$6,250, enter 1.   |     |            |
| (d) Your spouse expects to have combined wages and taxable pensions of more than \$6,250, 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 you and your spouse, however, you 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 <b>Form NC-4P, Withholding Certificate for Pension or Annuity Payments</b> .....   | 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 1, NC-4P.

Schedule 1	Estimated 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)	\$ _____	.
Medical and Dental Expenses (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 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	\$ _____	.
<b>Estimated State Deductions from Federal Adjusted Gross Income to Consider for NC-4P Purposes</b>		
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	\$ _____	.
<b>(Do not consider any amount of the portion of Bailey Retirement Benefits, Social Security Benefits, or Railroad Retirement Benefits included in Adjusted Gross Income.)</b>		
Total Federal Adjustments to Income and State Deductions from Federal Adjusted Gross Income. Enter on Page 2, Part II, Line 4	\$ _____	.

Schedule 3	Estimated 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	\$ _____	.
Amount excluded from the taxpayer's gross income for the discharge of qualified principal residence indebtedness under Section 108 of the code.	\$ _____	.
Adjustment for bonus depreciation	\$ _____	.
Adjustment for section 179 expense deduction	\$ _____	.
Total State Additions to Federal Adjusted Gross Income. Enter on Page 2, Part II, Line 7	\$ _____	.

# NC-4P Allowance Worksheet Schedules

**Schedule 4**

**Estimated 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 Surviving Spouse	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. 105-129.105, Credit for Rehabilitating Income-Producing Historic Structure \$ \_\_\_\_\_ .

G.S. 105-129.106, Credit for Rehabilitating Nonincome-Producing Historic Structure \$ \_\_\_\_\_ .

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 Surviving Spouse with Multiple Jobs

Estimated Annual Wages		Payroll Period			
At Least	But Less Than	Monthly	Semimonthly	Biweekly	Weekly
0	500	1	1	1	0
500	1500	5	2	2	1
1500	2500	9	5	4	2
2500	3500	14	7	6	3
3500	4500	19	9	9	4
4500	5500	23	12	11	5
5500	6500	28	14	13	6
6500	7500	33	16	15	8
7500	8500	37	19	17	9
8500	Unlimited	41	20	19	9

### 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	1	1	1
1000	2000	7	3	3	2
2000	3000	12	6	5	3
3000	4000	16	8	8	4
4000	5000	21	10	10	5
5000	6000	26	13	12	6
6000	7000	30	15	14	7
7000	8000	35	17	16	8
8000	9000	40	20	18	9
9000	10000	44	22	20	10
10000	11000	49	24	23	11
11000	12000	54	27	25	12
12000	13000	58	29	27	13
13000	14000	63	31	29	15
14000	Unlimited	65	33	30	15