



December 22, 2014

## IMPORTANT NOTICE TO EMPLOYERS AND PENSION PAYERS THAT WITHHOLD NORTH CAROLINA INCOME TAX

### Law Changes Regarding the Withholding of North Carolina Income Tax From Wages and Pension Payments for 2015

The purpose of this notice is to inform employers and pension payers of three law changes that affect the withholding of North Carolina income tax from wages and pension payments for 2015. The law changes are applicable to the withholding of North Carolina income tax from wages and pension payments on or after January 1, 2015. The notice also reminds payers of compensation to ITIN contractors of their responsibility to withhold North Carolina income tax. If you have any questions about these changes or the requirement to withhold North Carolina income taxes from ITIN contractors, please call the Department at 1-877-252-3052 (toll-free).

#### *Employers*

The General Assembly clarified that nonresident aliens are not eligible for the standard deduction. North Carolina's wage bracket tables, percentage method, and annualized method of computing the amount of income tax to be withheld incorporate the standard deduction allowed to most taxpayers in determining the amount to be withheld. Forms NC-4 and NC-4 EZ do not account for nonresident aliens' ineligibility for the standard deduction.

For tax year 2015, the Department has created Form NC-4 NRA for nonresident aliens to complete in lieu of Form NC-4 or Form NC-4 EZ to determine the proper amount of North Carolina income tax to be withheld from their wages. An additional amount of income tax must be withheld for each pay period to account for the inclusion of the standard deduction in the wage bracket tables, percentage, and annualized methods of computing income tax withheld. Employers must request each employee who is a nonresident alien to complete the new withholding form. If a nonresident alien does not complete a Form NC-4 NRA, you must withhold North Carolina income tax from the employee's wages based on a single filing status with no allowances and you must also withhold an additional amount per pay period. The additional amount to withhold per pay period is as follows:

Payroll period	Additional amount to withhold per pay period
Weekly	\$9
Biweekly	\$17
Semimonthly	\$18
Monthly	\$36

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## North Carolina Department of Revenue

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Form NC-4 NRA is available at

[http://www.dor.state.nc.us/downloads/forms\\_trad.php?url=nc4nra.pdf](http://www.dor.state.nc.us/downloads/forms_trad.php?url=nc4nra.pdf).

### *Pension Payers*

A pension payer making periodic payments is required to withhold income tax from those payments as if those payments were wages; however, the pension recipient may elect not to have income tax withheld from their pension. The General Assembly revised the default method of withholding on periodic pension payments when the pension recipient has not filed Form NC-4P to require a pension payer to withhold North Carolina income taxes based on a filing status of single with no allowances.

### *Both Employers and Pension Payers*

The individual income tax rate has decreased from 5.8% to 5.75% for 2015. North Carolina's wage bracket tables, percentage method, and annualized method of computing income tax withheld have been revised to reflect the new rate. You are not required to obtain a new Form NC-4, NC-4 EZ or Form NC-4P from each employee or pension recipient because of the tax rate reduction; however, be aware that it is possible that an employee or pension recipient may be entitled to an additional allowance because of the reduced tax rate. We request that you inform your employees or pension recipients of the reduced tax rate and to encourage them to review the number of allowances they claimed in 2014 to determine if the number should increase. The revised income tax withholding tables are available at [http://www.dor.state.nc.us/downloads/nc30\\_2015.pdf](http://www.dor.state.nc.us/downloads/nc30_2015.pdf).

### *Payers of Compensation to ITIN Contractors*

Effective January 1, 2010, a person who, in the course of a trade or business, pays compensation of \$1,500 or more for services performed in this State to a person who holds an ITIN and not a social security number and who is a contractor and not an employee must withhold North Carolina income tax equal to 4% of the compensation. An ITIN is a nine-digit individual taxpayer identification number. The first digit in an ITIN is 9. For ITINs issued before April 12, 2011, the fourth and fifth digits had a range of 70-88. For ITINs issued on or after April 12, 2011, the range of the fourth through ninth digits includes 70-0000 through 88-9999, 90-0000 through 92-9999, and 94-0000 through 99-9999. For additional information, see Directive PD-10-1 at [http://www.dor.state.nc.us/practitioner/individual/directives/PD\\_10-1.pdf](http://www.dor.state.nc.us/practitioner/individual/directives/PD_10-1.pdf).