

OSC YEAR-END TAX UPDATE

JENNIFER T. PACHECO
AUDIT, RISK AND COMPLIANCE SERVICES

STATE OF NORTH CAROLINA
Office of the State Controller



AUDIT, RISK AND COMPLIANCE'S ROLE

- Collaborative Resource
- Tax Information Authorization
- Assist with External Audits – IRS
- Communicate Statewide Impact
- Request for Abatements

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TAX CUTS AND JOBS ACT (TAX REFORM)

- Pre-Tax to Post-Tax Parking^{1a} – UBTI^{1b}
- Wage Advancements/Overpayments²
- Back-up Withholding – 24%³
- Moving Expenses – ALL Taxable⁴
 - IRS Notice 2018-75 – September 21
- Athletics – Repeal of the 80-20 Charitable Deduction⁵

1a – TCJA § 11047/13304, 1b – TCJA § 13702, 2 – TCJA § 11045, 3 – TCJA § 11001, 4 – TCJA § 11048-11049, 5 – TCJA § 13704

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OTHER TAX ISSUES

- Daily Meal Reimbursements and Moving Expenses
 - Taxable Income
 - Budget Manual – July 2018
 - OSC Payroll Job Aid – HR Payroll System
- Out-of-State Employees
 - Nexus
 - Tax Reporting Compliance
- 941 Filing Issues
 - Tax Forms – Year Specific
 - Schedule B
 - 941-X Amendments (W-2c's)
 - Deposit Requirements

Report for this Quarter of 2018 (Check one.)

- 1: January, February, March
- 2: April, May, June
- 3: July, August, September
- 4: October, November, December

Go to www.irs.gov/Form941 for instructions and the latest information.

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OTHER TAX ISSUES (CONT.)

- Late Deposits

- EFTPS Posting vs. Wire Posting – State Treasurer^

You have an unpaid balance for March 31, 2017
Amount due: \$73,444.17

Our records show you have an unpaid balance for the tax period ending on March 31, 2017 (Form 941).

Billing Summary	
Tax you owed	\$10,931,646.80
Payments you made	-10,931,646.80
Failure to make a proper federal tax deposit penalty	73,444.17
Amount due by July 10, 2017	\$73,444.17

Penalties We are required by law to charge any applicable penalties.

Failure to make a proper federal tax deposit

Due date	Payment date	Days late	Payment type	Rate	Amount due	Penalty
03/01/2017	03/02/2017	1	EFT	2%	3,672,208.30	73,444.17
Total failure to make a proper federal tax deposit						\$73,444.17

^DST's ability to fund wires will be dependent on liquidity



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REPORTING REQUIREMENTS

- IRS

- IRS 1099 NEC – Box 7/W-2 – Due January 31
 - NO Automatic Extension (new)

- NC DOR

- IRS 1099*/NC-1099s/W-2/1042-S – Due January 31
 - Form NC-3 – Annual Withholding Reconciliation
 - Electronic Submission Required
 - Original Submission
 - Amendments (NC-3X)
 - Failure to File NC-3/NC-3X by Due Date (new)
 - \$50/day, up to \$1,000
 - Penalty Abatement – Form NC-5501 (new)
 - Software Limitations

*IRS 1099-MISC or 1099-R with NC income tax withholding or recipient's address is in NC



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ENHANCEMENTS TO TAX COMPLIANCE

- IRS TIN Matching
 - W-9 Compliance
 - Implementing for NCAS Vendors
 - Prevent or Detect –
 - Tax Identification Number/Name Mismatch
 - Annual Verification of TIN/Name Matches (name changes)
 - Reduce IRS CP-2100 Notices
- A/P Flagging Issues
 - Exception Reporting
 - Penalties for Failure to File/Furnish
 - TY 2018 - \$260/Return (\$520 total)
 - TY 2019 - \$270/Return (\$540 total)
- IRS Large Corporation

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TAX PENALTY NOTICES

- Please DO NOT Ignore

Intent to seize your assets and notice of your right to a hearing	
<p>If we don't hear from you</p>	<p>If you don't call us immediately, pay the amount due, or request a hearing by May 31, 2017, we may seize (levy) your property or your rights to property.</p> <p>Property includes:</p> <ul style="list-style-type: none"> • Wages and other income • Bank accounts • Business assets • Personal assets (including your car and home) • Social Security benefits

- OSC Assistance
 - Research
 - Abatements
 - Taxpayer Advocate

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THANK YOU!

CONTACT INFORMATION:

**JENNIFER PACHECO
NC OFFICE OF STATE CONTROLLER
AUDIT, RISK AND COMPLIANCE
919-707-0764
JENNIFER.PACHECO@OSC.NC.GOV**

Disclaimer: The information within this presentation does not constitute tax/legal advice and each participant should seek his/her own counsel in addressing specific situations.

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