



April 29, 2021

Important Notice: Interest Relief on the Underpayment of 2020 Individual Income Taxes and Other Tax Relief to Individual Income Taxpayers

The purpose of this important notice is to inform individual income taxpayers of recently enacted tax changes relating to (i) the abatement of interest on an underpayment of individual income tax, including partnership tax and estate and trust tax, from April 15, 2021, through May 17, 2021, on tax returns due April 15, 2021 and (ii) the extension of the statute of limitations for obtaining a refund for individual income tax to May 17, 2021.

Relief of Interest on Underpayment of Tax

On April 5, 2021, the Department of Revenue ("Department") issued an [important notice](#) announcing that in conformance with the U.S. Treasury Department and Internal Revenue Service, the Secretary of Revenue ("Secretary") would automatically extend the 2020 individual income tax filing and payment deadline, including partnership tax and estate and trust tax, (collectively, "Affected Tax Schedules") from April 15, 2021 to May 17, 2021. The notice explained that, without a law change, the Department was required to charge interest on any tax due on the Affected Tax Schedules but that was not paid by April 15, 2021.

On April 27, 2021, Governor Roy Cooper signed [Session Law 2021-16](#). Under the new law, interest will not accrue (accumulate) on an underpayment of tax on the Affected Tax Schedules from April 15, 2021, through May 17, 2021. Importantly, interest will begin accruing on an underpayment of tax beginning May 18, 2021.

Example 1:

For tax year 2020, John Doe is a calendar year taxpayer subject to North Carolina individual income tax. John Doe's 2020 Individual Income Tax Return, Form D-400, was originally due on April 15, 2021.¹ John Doe did not file his Form D-400 by April 15, 2021. On or before May 17, 2021, John Doe determines that he has an additional North Carolina income tax liability of \$500 for 2020.

On May 17, 2021, John Doe files his 2020 Form D-400 with the Department and pays the additional \$500 with the return. Because John Doe paid his tax liability on or before May 17, 2021, John Doe does not owe interest on the \$500 tax liability. John Doe will also not receive an

¹ In [April](#), the Department automatically extended the 2020 individual income tax filing and payment deadline from April 15, 2021, to May 17, 2021, for individual income tax returns, partnership tax returns, and estate and trust tax returns to mirror the announced deadline change from the Internal Revenue Service. In addition, the Department announced it would not charge certain penalties on those tax returns and tax payments, as long as the return is filed and the tax is paid on or before May 17, 2021.

assessment for failure to file a tax return when due or an assessment for failure to pay tax when due on the \$500 tax liability pursuant to previously announced relief provided by the Department.

Example 2:

For tax year 2018, Jane Doe is a calendar year taxpayer subject to North Carolina individual income tax. Jane Doe did not file an Individual Income Tax Return, Form D-400, for tax year 2018 and did not make any tax payments for tax year 2018.

On July 1, 2021, the Department discovers Jane Doe owes the Department \$10,000 in individual income tax for tax year 2018. The Department issues a notice of proposed assessment for underpaid individual income tax, penalty, and interest.

On August 1, 2021, Jane Does pays the tax found due on the proposed assessment. Jane Doe owes interest from April 15, 2019, the due date of the return, through August 1, 2021, the date she pays the tax. Jane Doe does not qualify for any interest relief because her 2018 individual income tax return was due prior to April 15, 2021.

How to Obtain a North Carolina Interest Relief

The interest relief for the Affected Tax Schedules through May 17, 2021, is automatic – no action is required. However, if you receive a notice that includes interest not allowed under the provisions of [Session Law 2021-16](#), call the Department at 1-877-252-3052, or mail Form NC-5502, Special Penalty and Interest Waiver Request, to the Department at the address printed on the form. The NC-5502 is available on the Department's website, www.ncdor.gov.

If you do not have access to Form NC-5502, you may mail a letter to the Department requesting interest relief. The letter should contain your name, address, SSN or FEIN, Account ID, tax type, and tax period for which you seek an abatement of interest. You should mail the letter to the North Carolina Department of Revenue, Customer Service, P.O. Box 1168, Raleigh, NC 27602.

Extension of the Statute of Limitations for Refund

[N.C. Gen. Stat. § 105-241.7](#) provides the procedures a taxpayer must follow in order to obtain a refund of an overpayment. In general, a taxpayer may request a refund of an overpayment by filing an amended return or a claim for refund within the statute of limitations for obtaining a refund. Pursuant to [N.C. Gen. Stat. § 105-241.6](#), the general statute of limitations for obtaining a refund of an overpayment is the later of the following:

- (1) Three years after the due date of the return, or
- (2) Two years after payment of the tax.

Under [Session Law 2021-16](#), the statute of limitations for obtaining a refund for individual income tax is extended to May 17, 2021, for refund claims for which the statute of limitations to seek a refund expires on or after April 15, 2021, and before May 17, 2021.

Example:

In 2017, Jack Doe was a calendar year taxpayer subject to North Carolina individual income tax. In 2017, Jack Doe's employer withheld \$500 in North Carolina income tax from Jack's wages. Jack Doe's 2017 individual income tax return, Form D-400, was due on or before April 15, 2018. Jack Doe did not file a Form D-400 for tax year 2017.

In February 2021, Jack Doe realized that he failed to file a 2017 Form D-400. On May 1, 2021, Jack Doe files Form D-400 and requests a refund of \$200. Because Jack Doe's request to obtain a refund of individual income tax was filed with the Department prior to May 17, 2021, Jack Doe's refund claim is timely.

Assistance

If you have any questions about this notice, you may call the Department's Contact Center at 877-252-3052 (7:00 am until 5:00 pm EST, Monday through Friday), or write the Department at P.O. Box 1168, Raleigh, NC 27602-1168.

To the extent there is any change to a statute or regulation, or new case law subsequent to the date of this notice, the provisions in this notice may be superseded or voided. To the extent that any provisions in any other notice, directive, technical bulletin, or published guidance regarding the subject of this notice and issued prior to this notice conflict with this notice, the provisions contained in this notice supersede the previous guidance.