Part 1. Tax Credits Subject to 50% of Tax Limitation. After completing the applicable parts on the NC-478 series forms, enter the “Credit Amount to Take in Tax Year 2007” from each form on the appropriate line in Part 1 of NC-478. Add Lines 1 through 16 and enter the total on Line 17. This is the total amount of tax credits available in 2007 subject to the 50% of tax limitation.

If claiming a credit for use of North Carolina ports, complete and attach form NC-414. If claiming a credit for cigarettes for export, cigarettes for export while increasing employment, substantial investment, development zone projects, small business health insurance, work opportunity, or constructing a railroad intermodal facility, complete and attach a separate schedule showing how you calculated the credit.

Individuals, partnerships, and trusts or estates enter the credits only in the income column because franchise tax is not required for these types of entities. Partnerships enter only the portion of each credit that is allocable to their nonresident partners on whose behalf the managing partner pays the tax. All corporations may elect to claim each credit against franchise or income tax except for the credit for use of North Carolina ports, the credit for manufacturing cigarettes for export, or the credit for manufacturing cigarettes for export while increasing employment. Those three credits may only be claimed against income tax. The credit for technology commercialization (Article 3A), the credit for creating jobs (Article 3J), the credit for investing in business property (Article 3J), and the credit for investing in real property (Article 3J) may be divided between franchise and income tax. The election of which tax the Article 3J credits will be claimed against or what percentage of the credits are applied against each tax is allowed without regard to the original election regarding the division of the credit. However, the election for the credit for technology commercialization under Article 3A is binding for all future installments and carryforwards of that credit.

S corporations enter the total amount of credit being applied against franchise tax. However, S corporations enter in the income column only the portion of each credit that is allocable to the nonresident shareholders on whose behalf a composite return is filed. Insurance companies may claim the credits against the gross premiums tax by entering the total amount of credit in the franchise column.

Part 2. Computation of 50% Limit. Complete Part 2 to determine if the total credits calculated in Part 1 must be reduced because the total credits available in 2007 exceed 50% of the tax due in 2007 less other credits not subject to the 50% of tax limit.

Line 18 - Individuals enter the amount of tax due from form D-400, Line 14. Partnerships add the amounts on form D-403, Part 3, Line 17 for each nonresident partner and enter the total. Trusts and estates enter the amount of tax due from form D-407, Line 8. Corporations enter the amount of franchise tax due from form CD-405, Schedule A, Line 5, in the franchise column, and the amount of income tax due from form CD-405, Schedule B, Line 26, in the income column. S corporations enter the amount of franchise tax due from form CD-401S, Schedule A, Line 5, in the franchise column and the amount of income tax due for nonresident shareholders filing composite form CD-401S, Schedule B, Line 21, in the income column. Insurance companies enter the total amount of gross premiums tax.

Line 19 - Individuals enter the amount from form D-400TC, Line 34. Corporations enter the amount from form CD-425, Part 1, Line 6, in the franchise column, and the amount from form CD-425, Part 3, Line 24, in the income column. Partnerships enter the amount from form D-403TC, Line 8. Trusts and estates enter the amount from form D-407TC, Line 9.

Line 22 - Enter the lesser of Part 1, Line 17, or Part 2, Line 21.

Part 3. Amount of Each Credit Taken in 2007. If the amount of available credits on Part 1, Line 17 is less than the amount on Part 2, Line 21, then the total amount of eligible tax credits available in 2007 does not exceed 50% of the 2007 tax liability. Enter on Part 3, Line 23 through 38 the same amounts entered on Part 1, Lines 1 through 16.

If the amount of available credits on Part 1, Line 17, is greater than the amount on Part 2, Line 21, then the total amount of eligible tax credits available in 2007 exceeds 50% of the 2007 tax liability. The amount of eligible tax credits from Part 1, Line 17, must be reduced to equal the amount on Part 2, Line 22. A taxpayer may choose how to allocate the allowable amount of credit (Line 22) among the credits for which it is eligible (Lines 1 through 16) by completing Lines 23 through 38. If the amount of eligible credit in Part 1 exceeds the amount of allocated credit in Part 3, a taxpayer may be eligible to carry forward the excess amount to the next year.

Line 39 - Add Lines 23 through 38 and enter the total. This amount can not exceed the amount on Part 2, Line 22. This is the total amount of tax credits actually taken in 2007.

Individuals enter the amount of tax credits on form D-400TC, Part 4, Line 35. Partnerships enter the amount of tax credits on form D-403TC, Part 2, Line 11. Trusts and estates enter the amount of tax credits on form D-407TC, Part 2, Line 12. Corporations enter the total amount of tax credits applied against franchise tax on form CD-425, Part 2, Line 10, and the total amount of tax credits applied against income tax on form CD-425, Part 4, Line 28. Insurance companies claim the amount of tax credits on the gross premiums tax return.