

STATE INCOME TAX FACTS
North Carolina Individual Tax Returns

(This is one of a series of articles prepared by the Committee on State Taxation, North Carolina Association of Certified Public Accountants, in cooperation with the North Carolina Department of Revenue.)

Remember to mail your return before **APRIL 15**



Both the Federal and the North Carolina income tax laws provide for a certain amount of an individual's income to be received income tax-free. This amount is known as a "personal exemption" and is deductible from net income to arrive at taxable income. There is a considerable difference between the personal exemptions granted by the Federal income tax laws and the granted by the North Carolina income tax laws. This article will explain the North Carolina personal exemptions and contrast them with the Federal personal exemptions.

The basic Federal personal exemption is \$600 per individual. North Carolina, however, allows an exemption of \$1,000 to a single person or a married woman with separate income and allows an exemption of \$2,000 to a married man living with his wife, a head of the household and certain other individuals as described below.

The term "head of the household" should not be confused by taxpayers in filing North Carolina income tax returns with the term as it is used for Federal income tax purposes. The head of the household for Federal income tax purposes is taxed at a lower rate than single individuals while for North Carolina income tax purposes the head of the household receives a \$2,000 exemption, double that of a single individual.

You may qualify for the North Carolina head-of-a-household exemption of \$2,000 if you are a single person maintaining a home and supporting therein a dependent relative who is under 18 years old or is incapable of self-support because of being mentally or physically defective. You will qualify for the \$2,000 exemption if you are the wife of a man who receives gross income during the year of less than \$500, but you must be prepared to show that you have furnished more than one-half the support for yourself and your husband during the year. North Carolina law requires your husband, in this instance, to file an income tax return claiming a \$1,000 exemption, although, of course, he would owe no tax with his return.

In determining whether you, the wife, would be entitled to the \$2,000 exemption, the Attorney General has interpreted the law to mean that the \$500 maximum income of the husband shall be figured as his gross farm take if he is a farmer, gross sales profit if he is a merchant dealing in sale of personal property, the net distributed partnership earnings if his income is from a partnership, and the amounts received from salary or services performed. The total incomers from rents, annuities, pensions, and like sources must be included in arriving at the \$500 maximum figure. If you find that you are entitled to the head of household exemption, you should take care to show on your return or by a schedule attached thereto that your husband actually had less than \$500 income, under the conditions described above, and that you actually furnished more than one-half of the support for you both.

You may also qualify for the \$2,000 exemption if (1) you are a widow or widower with children under 21 years of age, or (2) you are totally blind, or (3) you are a divorced person who has the custody of a minor child and you furnish more than one-half the child's support.

The Federal income tax provisions allow a \$600 exemption for a qualifying dependent, while the North Carolina income tax provisions allow only a \$300 exemption. This North Carolina exemption for a dependent applies to each individual, other than husband and wife, dependent upon and receiving chief support from the taxpayer.

To claim an individual as your dependent on your North Carolina tax return the individual must be under 18 years of age, or if over 18

years of age, must be regularly supported in an organized school or college, or be the child or grandchild of the taxpayer or physically disabled to the extent that he or she cannot be self-supporting. "Chief support" for North Carolina purposes means more than one-half of total support for the year. In addition, the dependent must be receiving such support from you on the last day of the tax year.

Children of a marriage who qualify as dependents must be claimed by the husband in every instance, unless the wife can qualify for the \$2,000 head of household exemption under the circumstances explained above. However, if the wife has a child by a former marriage for whom she can show that she is furnishing major support, she may claim the \$300 dependency exemption for that child.

Where the parents are separated, the child may be claimed by the parent who has custody, provided that parent furnishes major support. The parent who does not have custody even though he or she may furnish major support, is not entitled to claim the child as a dependent.

Special provisions apply where income is earned partly in North Carolina and partly in another state. If you have moved into or out of North Carolina during the tax year, you may not have to pay income tax to North Carolina on your total income. If so, your North Carolina exemption will be reduced by the percentage of income not taxed by North Carolina. For example, if you earned 25 per cent of your income while you were a resident of South Carolina, you would claim 75 per cent of your personal exemption since North Carolina would tax only 75 per cent of the total year's income. For further information con-

cerning this phase of personal exemptions or other problems in connection with filing State returns, contact the Revenue Department in Raleigh or one of the branch offices, which are usually located in the county courthouse buildings. The Revenue Department urges you to consult a properly qualified advisor if you decide to seek outside help.

The next article in this series



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South Indian Ocean, Feb. 17, (Delayed) (FHTNC)—Ray Johnson, seaman apprentice, USN, son of Virgil Johnson of Burnsville, N. C., is enroute home today from Operation Deepfreeze II in the Antarctic aboard the Navy attack cargo ship USS Arneb.

Let out of Vincennes Bay by an will deal with basic differences in State and Federal deduction allowed for taxes, corporate dividends, interest, medical expense and gains and losses from sales of home or business property.

icebreaker, the crew cast their last look at the South Polar world. Huge icebergs floated by as they made their way into the South Indian Ocean. Icebergs that were larger than some crew members' home towns.

Wind driven mist swirled over the sea fringe of the continent. One veteran explorer remarked, "It's like a movie fadeout shifting us out of a strange world into an unknown world."

The cargo ship's first port will be Sydney, Australia, where it will go into drydock.

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