

Meeting with NC Department of Revenue
NCACPA Taxation Committee & Tax Section of NC Bar Association
December 6, 2019 | Raleigh, NC

The following is a summary of remarks and updates given by the Department of Revenue during the December 6, 2019 meeting.

- I. Ronald Penny, Secretary of Revenue**
 - a. The Secretary began the meeting by thanking attendees and reinforcing the criticality of the partnership shared between NCACPA, the NC Bar, and the Department of Revenue (DoR). The Secretary expressed appreciation for NCACPA's championing of Power of Attorney registration improvements, which are now in process.

- II. David Roseberry, COO/CIO/CISO**
 - a. The Department is implementing a new network using an IBM mainframe, which will give the DoR more flexibility to make changes and updates to its internal technology systems. They are also updating their phone systems.
 - b. The DoR plans to use DocuSign for secure registration of Power of Attorney documentation. They will give a demo to the NC General Assembly in late January, with the goal of reporting progress as well as trying to secure additional funding in the 2020 short legislative session. At the appropriate point in the process, the DoR will recruit NCACPA members to help with feedback and quality assurance testing.

- III. Brandon Bell, Digital Communications & Marketing Manager**
 - a. In 2019, the Department implemented a new website as part of a phased approach for online service improvements. There will be three more incremental phases leading up to an authenticated portal for file and payment submission. One phase includes a portal for e-Services similar to the federal system. These efforts are in-process, but an end date has not been indicated yet.

- IV. Stephanie Denton, Director of Submissions Processing**
 - a. E-Filing for NC5Q forms has been successfully beta-tested with two large payroll providers. NCACPA is recruiting a small group of CPA users to test this new functionality in January 2020.
 - b. There are no major enhancements forthcoming for e-NC3 filing; the Department's priority is to ensure successful submission through a CPA's software ("server to server" submissions).
 - c. The DoR provided a few tips to help facilitate processing of NC3s:
 - i. Do not file via paper *and* online—choose one way to file.
 1. If you are paper-filing, ensure each field is filled completely.
 - ii. If you are filing for an account that does not have withholding, there is no need to file an NC3.

- iii. In addition to online filing, encourage online payment as well. (The DoR is working on a brief tutorial video on how to submit online payments.)
 - iv. Take advantage of the “warehousing” feature, which schedules e-payments online further in advance than previously allowed.
 - v. If you have paid but haven’t received a confirmation number, call 877-308-9103, Option 1.
- d. E-filing for Form D-407 (fiduciary returns) coming for 2020 or 2021.

V. John Seibert, Director of Corporate Income Tax

- a. The enactment of market-based sourcing was referenced; CPAs will be solicited by the Department come time for implementation and review of necessary modifications to existing market-based sourcing rules.
 - i. Guidance related to an apportionment correction will be published next year as well.

VI. Donna Powell, Director of Personal Tax

- a. As a reminder, for tax year 2019, it is not required to file a state tax extension if the taxpayer received a federal extension. However, a taxpayer may file a state extension if they so choose. This extension does not apply to payments, only the filing of the return. There will be a field on each return to mark if a federal extension was obtained.
 - i. Secretary Penny issued a notice waiving the \$200 penalty for failure to electronically file Form NC-3 and the required W-2 and 1099 statements.
 - ii. Please note, the Secretary will impose a failure to timely file penalty against the taxpayer if Form NC-3 is not filed (electronically or by paper) on or before January 31, 2020. The fee is \$50 per day, up to a maximum of \$1,000.
- b. The filing of 1099 MISC forms with no withholding are still needed for income tax purposes, however, for 2019 the Secretary will not require a 1099 MISC be filed with an NC3 if there is no withholding on the 1099.
 - i. For further information, review [this notice](#) published in August 2019.
- c. NC-30 (withholding tables) will be updated for the new standard deduction amounts as of January 1, 2020.

VII. Ginny Upchurch, Director of Sales Tax

- a. As it pertains to the Wayfair ruling, the 200 transactions/\$100,000 thresholds apply to the current and previous tax year, with the marketplace facilitator being liable for collecting the sales tax. Obligation to collect sales tax begins 60 days after meeting the threshold.
 - i. Use tax question for individuals is still valid on a return—the purchaser is liable for paying the tax not charged or under-charged.
- b. In regards to repair, maintenance, and installation (RMI) services, there were two notable updates:

- i. A new section specific to property management was added to the general statute this year.
 - ii. “Limited service” car washes are not taxable under four stipulated services, also as added to the general statute this year.
- c. As a reminder, visit www.ncdor.gov and sign up for e-alerts to receive timely DoR directives, guidance, etc.

VIII. Rick Gilbert, Director of Examinations

- a. The Examinations division will be most heavily focused on refund fraud in 2020. A significant area where practitioners can help in this regard will be to assist the DoR in getting taxpayer information when the taxpayer is under audit.
- b. All returns are “scored” for potential refund fraud.
- c. Emphasis is on noncompliant taxpayers only, Schedule C filers, and POS systems that provide erroneous information.

IX. Cale Johnson, Director of Collections

- a. The Innocent Spouse Relief program will now mirror the federal program for understatement/underpayment, though implementation of these changes is still forthcoming.
- b. Collection assistance fee will be imposed at 60 days (previously 90 days) starting early next year.
- c. Attempting to streamline the offer in compromise process.

X. Angela Stephenson, Taxpayer Advocate

- a. Phone numbers to know:
 - i. Identity Theft Division: 919-715-0195
 - ii. Office of Taxpayer Advocate: 919-715-2080
 - iii. Tax Practitioner Hotline: 919-754-2500