

September 28, 2020

The Honorable Ronald G. Penny  
Secretary of Revenue  
501 North Wilmington Street  
Raleigh, North Carolina 27604

Dear Secretary Penny,

I am writing to you on behalf of the North Carolina Association of Certified Public Accountants to ask for your help in resolving an urgent compliance issue that is threatening the effectiveness of the recently enacted Extra Credit Grant Program.

As you know, House Bill 1105 (S.L. 2020-97), which became law on September 4, 2020, directs the Department of Revenue to provide a one-time grant of \$335 to each eligible individual. An individual who files a 2019 North Carolina income tax return is eligible for the grant only if the individual files the return by October 15, 2020 and reports at least one qualifying child on line 10a of the return.

Line 10a is used to report the number of children for whom the taxpayer was entitled to a federal child tax credit. Taxpayers below certain income levels are entitled to a North Carolina deduction for each such child, and the taxpayer is directed to enter the amount of the deduction on line 10b of the return.

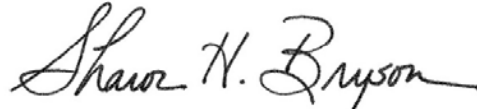
Our members have reported that many tax preparation software programs were modified to not populate line 10a where the taxpayer had one or more qualifying children but did not qualify for the North Carolina deduction. We were informed by at least one vendor that this modification was necessary because the Department's software is rejecting returns that report qualifying children on line 10a but have a zero on line 10b. As a result, there are thousands of taxpayers who are otherwise entitled to an Extra Credit Grant but whose eligibility is jeopardized by this bug in the Department's return processing software.

We need a fast and efficient solution to this problem if the Extra Credit Grant Program is to be effective. Requiring each affected taxpayer to amend his or her return obviously is not practical given the October 15 deadline and the possibility of other software issues resulting in the rejection of the amended returns.

One alternative is for you to exercise your authority under N.C. Gen. Stat. §105-155(d). That section gives you the power to prescribe the form of all tax returns. We request that you consider using this authority to authorize each CPA firm to file, by October 15, a single list of all the taxpayers (by identifying numbers) for whom it prepared returns and who have qualifying children who were not reported on line 10a. Each such filing would be designated an amended return. Like other filings, this document would be subject to preparer penalties under N.C. Gen. Stat. §105-236.

You may have other ideas about how to solve this problem, and we would be happy to discuss with you. I am sure you will appreciate, however, that any solution needs to be prompt and efficient. NCACPA stands ready to work with you to ensure that the Extra Credit Grant Program is successful.

Respectfully submitted,



Sharon H. Bryson, M.Ed.  
Chief Executive Officer

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