



North Carolina Department of Revenue

Roy Cooper
Governor

Ronald G. Penny
Secretary

September 30, 2020

Sharon H. Bryson, M.Ed.
Chief Executive Officer
North Carolina Association of Certified Public Accountants

Re: Response to Letter of September 28, 2020

Dear Ms. Bryson,

Thank you for your letter. Secretary Penny has requested that I respond. First, I want to reiterate my appreciation to you and your membership for the ongoing collaboration with the Department of Revenue ("Department") on a variety of issues. As your letter notes, House Bill 1105 provides one-time grants to certain individuals who filed 2019 North Carolina income tax returns. If an individual filed a tax return, the taxpayer must report at least one qualifying child on line 10a of Form D-400 to be eligible for the grant.

In your letter, you requested the Department consider allowing each CPA firm to file a list of the taxpayers (by identifying numbers) for whom it prepared returns and who have qualifying children who were not reported on line 10a of the taxpayer's North Carolina individual income tax return. Unfortunately, based on the language of the statute—which requires that a taxpayer report a qualifying child on line 10a—the Department cannot issue a grant to an individual that filed a return but did not report a qualifying child on line 10a.

Your letter also identifies that certain software prepared returns incorrectly reported zero qualifying children on line 10a where a taxpayer, in fact, was allowed a federal child tax credit for qualifying children. Once the Department identified this issue, we contacted software vendors and issued an important notice addressing how to file an amended return to correct errant entries on line 10a. We have also worked with you to ensure your membership was aware of the issue.

The Department's important notice identifies a process for taxpayers to amend their returns if they incorrectly reported zero qualifying children on line 10a. Not only is an amended return necessary to comply with the statute, it is also necessary to update our systems, verify the accuracy of the return, and confirm that the taxpayer certifies that the amended return is complete and accurate. Unfortunately, a list does not address these requirements and is not sufficient to amend a filed tax return.

Finally, the Department found no evidence to support a vendor's claim that the Department rejected returns because returns reported qualifying children on line 10a but have a zero entry on

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line 10b. Thus, the Department followed up with the vendor to discuss their claim. The vendor advised the Department it was not aware of any rejections from the Department for returns that had a number of 10a and a zero on line 10b and apologized for the incorrect message from their support staff.

The Department looks forward to continue working with you and your membership.

Sincerely,

Anthony Edwards

Anthony Edwards,
Assistant Secretary Tax Administration
North Carolina Department of Revenue

CC: Ronald Penny, Secretary of Revenue
David Roseberry, Chief Operation Officer
Andrew Kasper, General Counsel