



AN ALERT FROM SMITH LEONARD PLLC:

Smith Leonard Tax Update



 Subject

NCDOR ANNOUNCES EMPLOYEES MUST COLLECT NEW EMPLOYEE WITHHOLDING FORMS

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NCDOR Announces Employers Must Collect New Employee Withholding Forms

The North Carolina Department of Revenue has announced that beginning in 2014, employers must collect a new employee's withholding allowance certificate, also known as the NC-4 form.

Other changes beginning in January 2014 include a positive change – a drop in the North Carolina personal income tax rate to 5.8%. Previously, the North Carolina individual income tax rates ranged from 6% to 7.75% on a graduated scale. In addition, the North Carolina standard deduction amounts will be substantially increased. One negative change, however, was the announcement that starting in 2014, North Carolina will no longer allow a deduction for personal exemptions.

Based on these changes, the NC Department of Revenue issued a release on November 12, 2013, which alerted all employers that they must have their employees provide a new Employee's Withholding Allowance Certificate (either Form NC-4-EZ or Form NC-4). The new form must be completed and provided to the employer so that the correct amount of North Carolina income tax can be withheld for pay periods beginning in 2014.

Similarly, the NC Department of Revenue announced that all pension or annuity payment recipients must complete and provide to their payor a new Form NC-4P, which is the withholding certificate for pension or annuity payments. Failing to complete this form prior to January 1, 2014 could result in the payor failing to withhold the correct amount of North Carolina income tax from any pension payments made on or after January 1, 2014.

If you have any questions regarding these or other changes, please reach out to the Smith Leonard Tax Team.