

D-422

2023 Underpayment of Estimated Tax by Individuals

Name(s) shown on tax return

Social Security Number

GENERAL INSTRUCTIONS

Purpose of Form. Use this form to see if you owe interest for underpaying your estimated tax and, if you do, to determine the amount of interest you owe.

Who Must Pay Underpayment Interest. In general, you may owe underpayment interest if the total of your North Carolina income tax withheld and timely estimated tax payments do not equal at least the smaller of:

- 90% of your 2023 tax, or
- 100% of your 2022 tax. (Your 2022 tax return must cover a 12-month period)

Exceptions. You do not have to pay interest on the underpayment of estimated income if any of the following exceptions apply:

- The total tax shown due on your 2023 tax return minus the amount of tax credits and North Carolina tax withheld is less than \$1,000. To determine whether the total tax is less than \$1,000, complete Part I, Lines 1 through 6.
- You did not have any individual income tax liability for 2022. For purposes of this exception, an individual income tax liability means the amount of tax shown due on the return less any tax credits.
- If you are a farmer or commercial fisherman and your gross income from farming (including oyster farming) or fishing is at least two-thirds of your gross income from all sources for 2022 or 2023 and you file your 2023 North Carolina income tax return (Form D-400) and pay the entire amount of tax shown due by March 1, 2024, you do not owe interest for underpaying estimated tax. **Important:** If this exception applies, you must enter the letter **F** in the exception box located next to Line 26e of Form D-400 to avoid receiving an assessment for underpayment of estimated tax.

SPECIFIC INSTRUCTIONS

Part I. - Required Annual Payment. All taxpayers required to file this form must complete Lines 1 through 8 to determine your required annual payment. (For a definition of required annual payment, see G.S. 105-163.15(d)).

Line 7. If you filed a 2022 Form D-400, subtract the amount of tax credits entered on Line 16 from the tax due entered on Line 15. If you were required to file a return for 2022 but did not, or if your 2022 tax year was less than 12 months, don't complete Line 7. Instead, enter the amount from Line 4 on Line 8.

Part II. - Short Method. If you can use the short method, complete Lines 9 through 15 to determine the amount of interest on the underpayment of estimated tax. You can use the short method if:

- You made no estimated tax payments for 2023 (or your only estimated tax payments were withheld North Carolina income tax), or

- You paid the same amount of estimated tax on each of the four payment due dates.

Part III. - Regular Method. If you are not eligible to use the short method, complete Lines 16 through 27 to determine the amount of interest on the underpayment of estimated tax.

Section A - Figure Your Underpayment.

Line 16. Enter on Line 16, columns (a) through (d), the amount of your required installment for the due date shown in each column heading. For most taxpayers, this is one-fourth of the required annual payment shown in Part I, Line 8. However, if your income varies during the year, it may be to your benefit to determine your required installments by using the annualized income installment method. (See Form D-422A, 2023 Annualized Income Installment Worksheet. For details, visit www.ncdor.gov.) **Note:** If you annualize your income for any payment period, you must annualize it for all periods.

Line 17. Enter on Columns (a) through (d), the amount of estimated tax paid and the North Carolina income tax withheld for each payment period. For North Carolina tax withheld, you are considered to have paid one-fourth of these amounts on each payment due date unless you can show otherwise. Include in Column (a) any overpayment from your 2022 tax return that you elected to apply to your 2023 estimated tax. If you file your 2023 return and pay the tax due by January 31, 2024, include on Column (d) the amount of tax you paid with your return.

Line 23. If Line 23 is zero for all payment periods, you do not owe interest for underpaying estimated tax.

Section B - Figure the Interest on Underpayment.

Line 25. Determine the number of days after the due date of an installment through the date the estimated tax was paid, or through December 31, 2023, whichever is earlier (regardless of which installment the payment was for). Your payments are applied in the order made first to any underpayment balance in an earlier column until that underpayment is fully paid. For example: If Column (a), Line 23 shows an underpayment, any later payment of estimated tax is considered to have been applied to the amount shown in Column (a), Line 23 to the extent there is an underpayment. If April 15, 2024 is earlier, enter **260, 199, and 107** respectively in columns (a), (b), and (c).

Line 27. Enter the number of days after December 31, 2023, through the date the estimated tax payment was made, or through April 15, 2024, whichever is earlier. If April 15, 2024 is earlier, enter **106** in columns (a), (b), and (c), and **91** in column (d).

Part I. Required Annual Payment

1. North Carolina income tax (From 2023 Form D-400, Line 15)	1.	<input type="text"/>
2. Tax credits (From 2023 Form D-400, Line 16)	2.	<input type="text"/>
3. Line 1 minus Line 2	3.	<input type="text"/>
4. Multiply Line 3 by 90% (.90) or 66 2/3% (.6667) for farmers and commercial fishermen	4.	<input type="text"/>
5. North Carolina income tax withheld (From 2023 Form D-400, Lines 20a plus 20b)	5.	<input type="text"/>
6. Line 3 minus Line 5. If less than \$1,000, stop ; do not complete this form. You do not owe interest.	6.	<input type="text"/>
7. 2022 North Carolina income tax (From 2022 Form D-400, Line 15 minus Line 16)	7.	<input type="text"/>
8. Required annual payment. Enter the smaller of Line 4 or Line 7.	8.	<input type="text"/>

Note: If Line 5 is equal to or more than Line 8, **stop**. You do not owe interest.