

## 2014 NORTH CAROLINA INDIVIDUAL INCOME TAX LAW CHANGES

The Tax Simplification and Reduction Act (House Bill 998) was signed into law on July 23, 2013. Under this new law, all taxpayers will be taxed at a lower rate and be granted a higher standard deduction. The Act made significant changes to the individual income tax law for tax years beginning on or after January 1, 2014.

### As the 2014 tax filing season approaches, please consider the following key changes to the 2014 individual income tax law.

**Tax Rate** – The North Carolina individual income tax rate is now the same for all filing statuses and has been reduced to 5.8%. The tax rate is scheduled to be reduced to 5.75% for 2015.

**Standard Deduction** – The amount of the North Carolina standard deduction has increased for all filing statuses.

Filing Status	Previous Standard Deduction For 2013	New Standard Deduction For 2014
Single	\$3,000	<b>\$7,500</b>
Married filing jointly / qualifying widow(er)	\$6,000	<b>\$15,000</b>
Married filing separately	\$3,000	<b>\$7,500</b>
Head of household	\$4,400	<b>\$12,000</b>

**Itemized Deductions** – North Carolina’s itemized deductions are no longer identical to the federal itemized deductions and include the following:

- Charitable contributions
- Mortgage interest paid or accrued on a qualified residence
- Property taxes paid or accrued on real estate  
(*The combined deductions for mortgage interest and property taxes cannot exceed \$20,000.*)

#### Children and Dependents

- The child tax credit for children under age 17 may increase for certain taxpayers.

The following are no longer available:

- Personal exemption allowance for you, your spouse, your children, or any other qualifying dependents
- Credit for child and dependent care expenses
- Earned income tax credit (EITC)

#### Business Owners

- The deduction for up to \$50,000 of net business income is no longer available.

#### Retirees

- The deductions for retirement benefits received from vested NC State government, NC local government, or federal government retirees pursuant to the Bailey settlement are still available.
- The deduction for taxable Social Security benefits is still available.
- The deductions for other government retirement income (up to \$4,000) and private retirement income (up to \$2,000) are no longer available.

**For a complete list of 2014 individual income tax law changes and additional information, visit our website at [www.dornnc.com/incometaxupdates](http://www.dornnc.com/incometaxupdates).**