



March 31, 2020

## **Important Notice: Department of Revenue Expands Penalty Relief for Taxpayers Affected by Coronavirus Disease 2019 (COVID-19)**

On March 10, 2020, Governor Roy Cooper signed [Executive Order 116](#) declaring a state of emergency in response to COVID-19. On March 17, 2020, the North Carolina Department of Revenue (“Department”) [announced](#) penalty relief for certain taxpayers with returns or payments due between March 15, 2020 and March 31, 2020. Subsequently, on March 20, 2020, the United States Department of the Treasury and the Internal Revenue Service [announced](#) that the time for filing certain federal returns was extended under Section 7508A of the Internal Revenue Code to July 15, 2020. On March 23, 2020, the Department [announced](#) relief for income and franchise taxpayers with returns and payments due on April 15, 2020.

### Expansion of North Carolina Tax Penalty Relief from March 15, 2020 through July 15, 2020

The Department expands relief from the following penalties for failing to obtain a license, to file a return, or to pay taxes:

- Failure to obtain a license (G.S. 105-236(a)(2));
- Failure to file a return (G.S. 105-236(a)(3));
- Failure to pay tax (G.S. 105-236(a)(4)); and
- The penalties regarding informational returns (G.S. 105-236(a)(10));

(collectively, “Late Action Penalties”). The Department will not assess penalties for failure to obtain a license, failure to file a return, or failure to pay a tax that is due on March 15, 2020 through July 15, 2020, if the corresponding license is obtained, return is filed, or tax is paid on or before July 15, 2020.

The relief from Late Action Penalties applies to the following tax types:

- Income and Franchise Tax (see [Important Notice](#));
- Withholding Tax;
- Sales and Use Tax;
- Scrap Tire Disposal Tax;

- White Goods Disposal Tax;
- Motor Vehicle Lease and Subscription Tax;
- Solid Waste Disposal Tax;
- 911 Service Charge for Prepaid Telecommunications Service;
- Dry-Cleaning Solvent Tax;
- Primary Forest Products Tax;
- Freight Car Line Companies; and
- Various Taxes Administered by the Excise Tax Division (See [Important Notice](#)).

Taxpayers do not need to request a penalty waiver to qualify for this relief. However, if a taxpayer receives a proposed assessment of a penalty covered by the relief granted in this notice, the taxpayer should contact the Department by phone, at 1-877-252-3052, or by writing to the Department at the following address: North Carolina Department of Revenue, Customer Service, P.O. Box 1168, Raleigh, NC 27602.

### Interest

State law prevents the Department from waiving any interest except in the limited case of interest on taxes imposed prior to or during a period for which a taxpayer has declared bankruptcy under Chapter 7 or Chapter 13 of Title 11 of the United State Code. As such, if you owe additional tax, the Department is required to charge interest on any unpaid tax, accruing from the original due date, until the tax is paid.

The interest rate is currently 5% per year. This is the minimum rate allowed by statute.

### Limitations

The relief from Late Action Penalties granted herein does not change or extend the due date of any returns or payments. However, on March 23, 2020, the Secretary announced an extension of time to file income and franchise tax returns with due dates of April 15, 2020. See [Important Notice](#).

The relief granted herein does not include relief from other criminal and civil penalties imposed by North Carolina law. If you collect money from employees, contractors, or customers that is held in trust for the State and local governments, the use of such money is against the law and subject to civil penalty and criminal liability.

### Additional Relief

In separate notices issued on [March 23, 2020](#) and March 31, 2020, the Department announced relief from Late Action Penalties for other tax types.

In addition to the relief granted in this notice, the Secretary of Revenue may waive or reduce any penalties provided for in Subchapter I of Chapter 105. See [N.C. Gen. Stat.](#)

[§ 105-237\(a\)](#). A taxpayer seeking waiver of penalties not covered by this notice should review the [Department's Penalty Policy](#) and complete [Form NC-5500](#), Request to Waive Penalties ("NC-5500").

### Questions

This Important Notice may be updated as new information becomes available. If you have any questions about this notice, you may call 1-877-252-3052 to speak to a customer service representative or write to Customer Service, PO Box 1168, Raleigh, NC 27602.

*To the extent there is any change to a statute or regulation, or new case law subsequent to the date of this notice, the provisions in this important notice may be superseded or voided. To the extent that any provisions in any other notice, directive, technical bulletin, or published guidance regarding the subject of this notice and issued prior to this notice conflict with this important notice, the provisions contained in this important notice supersede the previous guidance.*