



NCDOR Communication

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Surviving The Slow Economy

File On Time And Take Advantage Of Tax Breaks If You Are Laid Off

Taxes are the last thing on most people's minds when they get laid off from a job. A good understanding of the tax impacts of being laid off and the importance of filing on time, regardless of your ability to pay, can save you potentially thousands of dollars on your state income taxes.

If you have been laid off or have lost your job any other way, remember these tax tips:

File on time, regardless of your ability to pay: sometimes people who have lost their jobs and may owe income tax decide not to file by the April 15 deadline. That is a bad idea because failing to file your taxes by April 15 results in an automatic failure to file penalty of 5 percent per month, up to a maximum of 25 percent of what you owe in state taxes.

You are better off filing your taxes by April 15. If you owe any additional tax, contact the department at 1-877-252-3052 about the possibility of arranging a payment plan.

Remember: there is also a 10 percent penalty on any state income tax you owe but don't pay by April 15, as well as interest that builds up until you pay off what you owe. Because of that, you may want to pay as much as you can by April 15.

If you can't file your taxes by April 15, you can file for a 6-month extension. However, an extension of time to file does not extend the time for paying the tax. You must pay your state income taxes by April 15, no matter when you file.

Some severance pay is tax exempt: if you receive severance pay after being involuntarily laid off, the first \$35,000 of severance pay is exempt from state taxes.

Please note: to qualify for this deduction, you must have experienced "permanent, involuntary termination from employment through no fault of (your own)," according to

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state tax law. That means that if you accept a voluntary offer to leave your job and receive severance pay, that severance pay is not eligible for this deduction. “Stay on pay,” or extra pay you receive to stay in a job for a certain length of time, is not eligible for the deduction.

Unemployment benefits are taxable: you may qualify to receive unemployment benefits while you look for a new job. Those payments are taxable as regular income.

Tip: it is a good idea to elect to have money withheld from your benefits to cover both state and federal taxes. While it will reduce the amount of money you receive in the short term, you won’t have to pay a larger amount when you file your income taxes.

You may qualify for the earned income tax credit: losing your job usually means a reduction in your taxable income. You should check the [eligibility](#) for the federal and state earned income tax credit. If you qualify for the federal credit, you qualify for the state credit. Taxpayers with incomes as high as \$42,000 may qualify for the credit.

Make sure you include your correct address: thousands of state tax refunds are returned each year because taxpayers put an incorrect address on their returns. Double-check your personal information – including your current address – before you send in your return.

Make your check out to the N.C. Department of Revenue: some taxpayers send checks made out to the Internal Revenue Service for their state taxes. If you owe any state tax, make your check out to the N.C. Department of Revenue.

Check out your options for filing and paying your taxes electronically: [e-filing](#) is fast safe and convenient.

Questions, Or To Get More Information

Please call the Taxpayer Assistance and Collections Center at 1-877-252-3052 if you have any questions.