NCDOR NORTH CAROLINA DEPARTMENT OF REVENUE



Department of Revenue Systems Projects Update Report

October 1, 2026

Per Section 8.1.(b) of S.L. 2022-13, this report is being provided to the Chairs of the House Appropriations Committee on General Government, the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division.

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Power of Attorney Registrations Project

Problem

There is a desire for all notices that are sent to taxpayers also be sent to any registered Power of Attorney (POA) for that tax type and period. In order to achieve that outcome two significant changes in technology need to occur: Capture of the POA registration in a structured, electronic format and Capture of all notices in a structured, electronic format.

In order for the Department to automate the issuance of notices to any registered POA, all of the relevant information must be digital so it can be cross referenced.

Status

The first part of this transformation, the capture of the POA registration in a structured, electronic format is complete.

The second part of this transformation, the capture of all notices in a structured, electronic format is almost complete for notices generated from the main legacy tax system, the Integrated Tax Administration System (ITAS).

Courtesy copies for Notice of Collections, Proposed Assessments, other assessment types, and some general correspondence (i.e. notification when a filing frequency changes) are generated on a regular basis. The agency began sending courtesy copies of Garnishments and Garnishment Release notices in January 2026. The Department is rolling out the final phase of courtesy copies for the remaining correspondence generated from the primary legacy tax system in the 4th quarter 2026. The Department will continue to evaluate different types of notices and identify opportunities to send courtesy copies from other agency legacy systems or the new modernized tax system.

Funding

Most recently as part of the approved Senate Bill 257 Joint Conference Committee Report on the Current Operations Appropriations Act of 2026, $522,200 was included for recurring license and maintenance costs.

Collections Case Management Project Status

With the focus on replacing the current tax processing system, this functionality was included in the Request for Proposal for the new modernized tax system.

IBM 4100 Replacement Project Status

Two printers were purchased and installed to replace the IBM 4100. This project is complete.

Failure to Pay Penalty

In 2021, North Carolina General Assembly enacted new legislation effectively changing the current 10% failure to pay penalty to a graduated penalty with an effective date of January 1, 2022. NCDOR was unable to properly code the mainframe to satisfy the legislative requirement of the graduated penalty. We notified the General Assembly and this resulted in a modification to the legislation making the failure to pay penalty a flat 5% for tax assessed on or after January 1, 2023.

Legacy system changes to comply with the flat 5% failure to pay penalty were implemented in January 2024. Prior to system changes, DOR staff manually abated penalties as appropriate to comply with the statutory language effective January 1, 2023.

Section 5.6(c) of Session Law 2022-13 (HB 83) amended subsection (b) of G.S. 105-235(a)(4), the penalty for failure to pay (FTP) tax when due. As enacted with effective July 1, 2024, the penalty for failure to pay a tax changed from a flat 5% of tax rate to a graduated rate. H228 Revenue Law Changes was signed July 1, 2024 delaying implementation of the graduated penalty until July 1, 2027.

S595 passed delaying implementation of graduated penalty until July 1, 2030. This delay better aligns with the timeline for the NCDOR tax modernization project.