

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE BILL 2730

Short Title: Tax Credits for Children With Special Needs. (Public)

Sponsors: Representatives Stam, Wiley, McComas, Glazier (Primary Sponsors);
Alexander, Blust, Current, Faison, Harrison, Pate, and Preston.

Referred to: Rules, Calendar, and Operations of the House.

May 30, 2006

A BILL TO BE ENTITLED

AN ACT TO ALLOW AN INDIVIDUAL INCOME TAX CREDIT FOR PART OF
THE EXPENSE OF AVOIDED PUBLIC EDUCATION FOR CHILDREN WITH
SPECIAL NEEDS WHO REQUIRE SPECIAL EDUCATION AND RELATED
SERVICES OUTSIDE THE REGULAR CLASSROOM AND TO AUTHORIZE
COUNTIES TO APPROPRIATE FUNDS FOR THESE CHILDREN EDUCATED
OTHER THAN IN PUBLIC SCHOOLS.

The General Assembly of North Carolina enacts:

SECTION 1. Part 2 of Article 4 of Chapter 105 of the General Statutes is
amended by adding a new section to read:

"§ 105-151.30. Education expenses credit.

(a) Credit. – A taxpayer is allowed a credit against the tax imposed by this Part for each of the taxpayer's eligible dependent children who is a resident of this State and who, for one or two semesters during the taxable year, is educated lawfully in grades K through 12 other than in a public school or in a public school at which tuition is charged in accordance with G.S. 115C-366.1. As used in this section, the term 'eligible dependent child' means a child with a disability who is receiving services outside of the regular classroom, who requires special education and related services, and for whom the taxpayer is entitled to deduct a personal exemption under section 151(c) of the Code for the taxable year.

(b) Amount. – The credit is equal to the amount the taxpayer paid for tuition and other education and therapeutic expenses, not to exceed three thousand dollars (\$3,000) per semester.

(c) Semesters. – For the purposes of this section, there are two semesters during each calendar year. The spring semester is the first six months of the calendar year, and the fall semester is the second six months of the calendar year. A child is educated in a school for a semester if the child is educated in that school for more than three months during that semester.

1 (d) Disqualification. – A taxpayer may not qualify for a tax credit for any
2 semester during which the taxpayer's child for whom the credit would otherwise be
3 claimed met any of the following conditions:

4 (1) Spent anytime enrolled as a full-time student in a postsecondary
5 educational institution.

6 (2) Was 21 years or older during the entire semester.

7 (e) Reduction of Credit. – The amount of the credit is reduced for any semester
8 in which the eligible dependent child spent anytime enrolled in a public school other
9 than a public school at which tuition is charged in accordance with G.S. 115C-366.1.
10 The amount of the reduction is a percentage equal to the percentage of the semester that
11 the child spent enrolled in a public school other than a public school at which tuition is
12 charged in accordance with G.S. 115C-366.1.

13 (f) Information. – In order to claim the credit allowed by this section, the
14 taxpayer must provide the following to the Secretary:

15 (1) The name, address, and social security number of each child for whom
16 the credit is claimed and the name and address of the school or schools
17 in which the child was educated for more than three months each
18 semester.

19 (2) The taxpayer's certification that the child did not meet any of the
20 disqualifying conditions set out in this section.

21 (3) The name of the local school administrative unit in which the child
22 resides.

23 (4) The amount of tuition paid to a public school at which tuition is
24 charged in accordance with G.S. 115C-366.1 for each semester a child
25 for whom the credit is claimed was educated in the school.

26 (5) A certification that the child is a child with special needs who requires
27 special education and related services signed by the person who made
28 that determination.

29 (6) A listing of the tuition and other educational and therapeutic expenses
30 on which the amount of the credit is based.

31 (g) Credit Refundable. – If the credit allowed by this section exceeds the amount
32 of tax imposed by this Part for the taxable year reduced by the sum of all credits
33 allowable, the Secretary must refund the excess to the taxpayer. The refundable excess
34 is governed by the provisions governing a refund of an overpayment by the taxpayer of
35 the tax imposed in this Part. In computing the amount of tax against which multiple
36 credits are allowed, nonrefundable credits are subtracted before refundable credits."

37 **SECTION 2.** The Department of Revenue shall report to the Revenue Laws
38 Study Committee on the administration of G.S. 105-151.30, as enacted by Section 1 of
39 this act. The report is due by January 1, 2008, and shall include the following:

40 (1) The number and amount of credits taken under G.S. 105-151.30.

41 (2) Any concerns relating to the administration of G.S. 105-151.30 or
42 taxpayer compliance with the requirements of that section.

43 (3) Any other matter with respect to G.S. 105-151.30 the Department
44 wishes to address.

1 **SECTION 3.** G.S. 115C-429(b) reads as rewritten:

2 "(b) The board of county commissioners shall complete its action on the school
3 budget on or before July 1, or such later date as may be agreeable to the board of
4 education. The commissioners shall determine the amount of county revenues to be
5 appropriated in the county budget ordinance to the local school administrative unit for
6 the budget year. The board of county commissioners may, in its discretion, allocate part
7 or all of its appropriation by purpose, function, or project as defined in the uniform
8 budget format.

9 The board of county commissioners may also, in its discretion, appropriate funds for
10 the education expenses of resident children under age 21 with special needs who require
11 special education and related services and are educated in nonpublic schools. If a county
12 chooses to appropriate funds for this purpose, the county shall issue the funds to the
13 individual who would be entitled to deduct a personal exemption under section 151(c)
14 of the Code with respect to each child. The amount appropriated may not exceed five
15 hundred dollars (\$500.00) per child per year."

16 **SECTION 4.** G.S. 153A-149(b)(7) reads as rewritten:

17 "(7) Schools. – To provide for the county's share of the cost of
18 kindergarten, elementary, secondary, and postsecondary public
19 education and to provide funds for children with special needs who
20 require special education and related services and are educated in
21 nonpublic schools. ~~post-secondary public education.~~"

22 **SECTION 5.** Section 1 of this act is effective for taxable years beginning on
23 or after January 1, 2006, and applies to semesters beginning on or after July 1, 2006.
24 The remainder of this act becomes effective July 1, 2006.