

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** Senate Bill 675

**SHORT TITLE:** Expand Child Care Credit

**SPONSOR(S):** Senators Walker, Albertson, Allran, Cochrane, Codington, Cooper, Forrester, Gulley, Harris, Hunt, Hyde, Martin of Guilford, Perdue, Plexico, Richardson, Speed, Tally, Ward, Winner of Buncombe, Winner of Mecklenburg, Hartsell, Hoyle, Johnson, Jordan, Kincaid, Parnell, Sherron, Simpson, Smith, and Marshall

**FISCAL IMPACT:**    **Expenditures:**    **Increase ( )**        **Decrease ( )**  
                                  **Revenues:**            **Increase ( )**        **Decrease (X)**  
                                  **No Impact ( )**  
                                  **No Estimate Available ( )**

**FUND AFFECTED:**    **General Fund (X)**    **Highway Fund ( )**    **Local Govt. ( )**  
                                  **Other Funds ( )**

**BILL SUMMARY:**    The bill increases the state individual income tax credit for dependent care expenses. The current credit is based on a flat percentage of the child-care expenses claimed on a Federal tax return. Those percentages are 7% for children 7 years of age or older, and 10% for children under 7 seven years of age and for dependents who are physically or mentally incapable of caring for themselves.

The credit is modified to increase the applicable percentages for middle and lower-income families. The new rates are based on income and filing status:

<u>Filing Status</u>	Adjusted Gross <u>Income</u>	Percentage* <u>A</u>	Percentage* <u>B</u>
Head of Household	Up to \$20,000	9%	13%
	Over \$20,000 up to \$32,000	8%	11.5%
	Over \$32,000	7%	10%
Surviving Spouse or Joint Return	Up to \$25,000	9%	13%
	Over \$25,000 up to \$40,000	8%	11.5%
	Over \$40,000 Adjusted	7%	10%

<u>Filing Status</u>	<u>Gross Income</u>	Percentage* <u>A</u>	Percentage* <u>B</u>
Single	Up to \$15,000	9%	13%
	Over \$15,000 up to \$24,000	8%	11.5%
	Over \$24,000	7%	10%
Married Filing Separately	Up to \$12,500	9%	13%
	Over \$12,500 up to \$20,000	8%	11.5%
	Over \$20,000	7%	10%

\* Percentage A replaces the current 7% rate for calculating the tax credit, and percentage B replaces the current 10% rate.

**EFFECTIVE DATE:** Effective for tax years beginning on or after January 1, 1993.

**PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:** Department of Revenue, Individual, Intangible, and Gift Tax Division

**FISCAL IMPACT**

	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>
<b>REVENUES:</b>				
GENERAL FUND	(3.7)	(4.0)	(4.3)	(4.6)
HIGHWAY FUND				
HIGHWAY TRUST FUND				
LOCAL				

**EXPENDITURES** None

**POSITIONS:** None

**ASSUMPTIONS AND METHODOLOGY:**

**SOURCES OF DATA:** NC Department of Revenue; Individual, Intangibles, and Gift Tax Division

**FISCAL RESEARCH DIVISION 733-4910**

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**APPROVED BY:** Tom L. Covington **TOMC**

**DATE:** June 21, 1993



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