

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2005**

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**HOUSE DRH70274-LY-72 (1/31)**

Short Title: Tax Credit - Nonpublic School Students. (Public)

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Sponsors: Representative Blackwood.

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Referred to:

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A BILL TO BE ENTITLED

AN ACT TO INCREASE PER PUPIL FUNDING IN PUBLIC SCHOOLS AND  
REDUCE THE BURDEN ON RAPIDLY GROWING COUNTIES OF  
CLASSROOM CONSTRUCTION BY ALLOWING AN INDIVIDUAL INCOME  
TAX CREDIT FOR PART OF THE EXPENSE OF EDUCATING CHILDREN  
VOLUNTARILY INCURRED BY PARENTS AND TO INCLUDE NONPUBLIC  
SCHOOL STUDENTS IN THE AVERAGE DAILY MEMBERSHIP OF LOCAL  
SCHOOL ADMINISTRATIVE UNITS.

Whereas, many areas of the State are growing so rapidly that it has become difficult to adequately fund the public schools to deal with the growth in enrollment levels they are experiencing; and

Whereas, the citizens of this State have shown, through their support of charter schools and various private and church schools, their willingness to support education alternatives that reduce the overcrowding in public schools; and

Whereas, the best way to provide adequate per pupil funding for public schools is to provide parents, who are interested in schools which receive less public support, some financial assistance, but less than would be required if those children attended public school; Now, therefore,

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:

**"§ 105-151.29. Education expenses credit.**

(a) Definitions. – The following definitions apply in this section:

(1) Dependent child. – A child for whom the taxpayer is entitled to deduct a personal exemption under section 151(c)(1)(B) of the Code for the taxable year.

(2) Home school. – Defined in G.S. 115C-563.

1           (3) Rapidly growing county. – A county in which the average daily  
2           membership of a local school administrative unit has increased by at  
3           least twenty percent (20%) over any 10-year period beginning on or  
4           after January 1, 1995, based on data available from the Department of  
5           Public Instruction.

6           (b) Credit. – A taxpayer whose dependent child would otherwise attend a public  
7           school other than a charter school in a rapidly growing county is allowed a credit  
8           against the tax imposed by this Part for each of the taxpayer's dependent children who is  
9           a resident of this State and who is educated lawfully in grades K through 12 in a charter  
10           school or other than in a public school for at least five months during the taxable year.

11           (c) Amount. – The credit amount is two hundred dollars (\$200.00) per month for  
12           each child who is educated in a home school during the taxable year. For a child who is  
13           educated in a charter school, the credit amount is the amount voluntarily contributed by  
14           the taxpayer to the school for capital construction, not to exceed fifty percent (50%) of  
15           the amount of the average per pupil allocation for average daily membership for the  
16           local school administrative unit in which the child attends school. For a child other than  
17           a child who is educated in a home school or a charter school, the credit amount is the  
18           amount of tuition the taxpayer paid to educate the child, not to exceed fifty percent  
19           (50%) of the amount of the average per pupil allocation for average daily membership  
20           for the local school administrative unit in which the child would have otherwise  
21           attended school.

22           (d) Credit Refundable. – If the credit allowed by this section exceeds the amount  
23           of tax imposed by this Part for the taxable year reduced by the sum of all credits  
24           allowable, the Secretary must refund the excess to the taxpayer. The refundable excess  
25           is governed by the provisions governing a refund of an overpayment by the taxpayer of  
26           the tax imposed in this Part. In computing the amount of tax against which multiple  
27           credits are allowed, nonrefundable credits are subtracted before refundable credits.

28           (e) Information. – In order to claim the credit allowed by this section, the  
29           taxpayer must provide the following information to the Secretary:

- 30           (1) The name, address, and social security number of each child with  
31           respect to whom a credit is claimed.  
32           (2) The name and address of the school in which each child with respect to  
33           whom a credit is claimed was educated during the year.  
34           (3) The name of the local school administrative unit in which the child  
35           resides."

36           **SECTION 2.** Part 4 of Article 39 of Chapter 115C of the General Statutes is  
37           amended by adding a new section to read:

38           "**§ 115C-567. Inclusion in average daily membership.**

39           For the purposes of calculating the average daily membership of a local school  
40           administrative unit for the allocation of State funds, a child who attends a school under  
41           this Article shall be included in the calculation on a twenty-five percent (25%) basis for  
42           the local school administrative unit that the child would have otherwise attended."

43           **SECTION 3.** Section 1 of this act is effective for taxable years beginning on  
44           or after January 1, 2005. The remainder of this act becomes effective July 1, 2005.