

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007

S

D

SENATE DRS35538-MC-283 (5/16)

Short Title: Tax Credits for Children with Special Needs.

(Public)

Sponsors: Senator Graham.

Referred to:

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:

**"§ 105-151.31. 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 in other than 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 has spent at least two semesters in a year in a public school at which tuition is not charged, who while enrolled in a public school at which tuition is not charged was determined to require an individualized education program that requires at least daily special instructional or therapeutic services received outside the regular classroom 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 educational 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

1 the fall semester is the second six months of the calendar year. A child is educated in a  
2 school for a semester if the child is educated in that school for more than three months  
3 during that semester.

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

7 (1) Spent any time enrolled as a full-time student in a postsecondary  
8 educational institution.

9 (2) Was 22 years or older during the entire semester.

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

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

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

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

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

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

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

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

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

40 **SECTION 2.** The Department of Revenue shall report to the Revenue Laws  
41 Study Committee on the administration of G.S. 105-151.31, as enacted by Section 1 of  
42 this act. The report is due by January 1, 2008, and shall include the following:

43 (1) The number and amount of credits taken under G.S. 105-151.31.

1 (2) Any concerns relating to the administration of G.S. 105-151.31 or  
2 taxpayer compliance with the requirements of that section.

3 (3) Any other matter with respect to G.S. 105-151.31 the Department  
4 wishes to address.

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

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

13 The board of county commissioners may also, in its discretion, appropriate funds for  
14 the educational expenses of resident children under age 22 with special needs who  
15 require special education and related services and are educated in nonpublic schools. If  
16 a county chooses to appropriate funds for this purpose, the county shall issue the funds  
17 to the individual who would be entitled to deduct a personal exemption under section  
18 151(c) of the Code with respect to each child. The amount appropriated may not exceed  
19 five hundred dollars (\$500.00) per child per year."

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

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

26 **SECTION 5.** Section 1 of this act is effective for taxable years beginning on  
27 or after January 1, 2008, and applies to semesters beginning on or after July 1, 2008.  
28 The remainder of this act becomes effective July 1, 2008.