

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007

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SENATE DRS85118-LY-51A\* (1/30)

Short Title: Tax Fairness in Education.

(Public)

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Sponsors: Senator Goodall.

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Referred to:

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A BILL TO BE ENTITLED

AN ACT TO ALLOW AN INDIVIDUAL INCOME TAX CREDIT FOR PART OF  
THE EXPENSE OF AVOIDED PUBLIC EDUCATION AND TO AUTHORIZE  
COUNTIES TO APPROPRIATE FUNDS FOR 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 whose North Carolina taxable income is less than the amount listed in subsection (e) of this section is allowed a credit against the tax imposed by this Part for each of the taxpayer's 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 is educated lawfully in grades K through 12 in a public school at which tuition is charged in accordance with G.S. 115C-366.1. As used in this section, the term 'dependent child' means 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.

(b) Amount. – The credit amount is one thousand two hundred fifty dollars (\$1,250) per semester. For a child educated in a public school at which tuition is charged in accordance with G.S. 115C-366.1, the credit amount may not exceed the amount of tuition the taxpayer paid to educate the child for the applicable 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.

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

- (1) Spent any time enrolled in a public school other than a public school at which tuition is charged in accordance with G.S. 115C-366.1.
- (2) Spent any time enrolled as a full-time student in a postsecondary educational institution.
- (3) Was 18 years or older during the entire semester.

(e) Limitation. – A taxpayer is not eligible for a credit under this section unless the taxpayer's North Carolina taxable income is less than the amount specified in this subsection:

<u>Filing Status</u>	<u>North Carolina Taxable Income</u>
Married, filing jointly	\$100,000
Head of Household	80,000
Single	60,000
Married, filing separately	50,000

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

- (1) The name, address, and social security number of each child for whom the credit is claimed and the name and address of the school or schools in which the child was educated for more than three months each semester.
- (2) The taxpayer's certification that the child did not meet any of the disqualifying conditions set out in this section.
- (3) The name of the local school administrative unit in which the child resides.
- (4) The amount of tuition paid to a public school at which tuition is charged in accordance with G.S. 115C-366.1 for each semester a child for whom the credit is claimed was educated in the school.

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

**SECTION 2.** G.S. 115C-429(b) reads as rewritten:

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

1        The board of county commissioners may also, in its discretion, appropriate funds for  
2 the education expenses of resident children under age 18 who are educated in nonpublic  
3 schools. If a county chooses to appropriate funds for this purpose, the county shall issue  
4 the funds to the individual who would be entitled to deduct a personal exemption under  
5 section 151(c)(1)(B) of the Code with respect to each child. The amount appropriated  
6 may not exceed five hundred dollars (\$500.00) per child per year."

7        **SECTION 3.** G.S. 153A-149(b)(7) reads as rewritten:

8        "(7) Schools. – To provide for the county's share of the cost of  
9        kindergarten, elementary, secondary, and postsecondary public  
10        education and to provide funds for children educated in nonpublic  
11        schools. ~~post-secondary public education.~~"

12        **SECTION 4.** Section 1 of this act is effective for taxable years beginning on  
13 or after January 1, 2008, and applies to semesters beginning on or after July 1, 2008.  
14 The remainder of this act becomes effective July 1, 2008.