

March 19, 2009

H 687. TAX CREDITS FOR CHILDREN WITH DISABILITIES. Filed 3/19/09. *TO ALLOW AN INDIVIDUAL INCOME TAX CREDIT FOR PART OF THE EXPENSE OF AVOIDED PUBLIC EDUCATION FOR CHILDREN WITH DISABILITIES WHO REQUIRE SPECIAL EDUCATION AND RELATED SERVICES OUTSIDE THE REGULAR CLASSROOM AND WHO ARE ENROLLED IN AND ATTENDING NONPUBLIC SCHOOLS OR PUBLIC SCHOOLS AT WHICH TUITION IS CHARGED AND TO CREATE A FUND FOR SPECIAL EDUCATION AND RELATED SERVICES.*

Enacts a new GS 105-151.33 to establish a tax credit against imposed income tax for a taxpayer's child who is (1) a state resident; (2) a child with a disability as defined in GS 115C-106.3(1); (3) has spent at least two semesters in a taxable year in a public school (immediately preceding the taxable year in which a credit is taken to establish initial eligibility) and while enrolled in and attending a public school was determined to require an individualized education program that requires at least daily special education and related services outside the regular classroom; (4) is a dependant which entitles the taxpayer to deduct a personal exemption under section 151(c) of the Internal Revenue Code for the taxable year; and (5) for one or two semesters during the taxable year is enrolled in and attending grades K through 12 in a nonpublic school or in a public school at which tuition is charged in accordance with GS 115C-366.1. The credit is equal to the amount the taxpayer paid for tuition and special education and related services expenses up to \$3,000 per semester. Provides that, for home schools, the credit is equal to the amount the taxpayer paid for special education and related expenses up to \$3,000 per semester. Defines *semester* for purposes of the credit. Provides for disqualification and reduction of the credit. Enumerates information to be provided to the Secretary of Revenue (Secretary) in order to claim the credit. Provides for a refund if the credit exceeds the amount of income tax imposed on the taxpayer. Requires that the Secretary transfer to the Fund for Special Education and Related Services (Fund) from the net individual income tax collections an amount equal to \$2,000 multiplied by the number of credits taken during the fiscal year.

Enacts a new Article 32D in GS Chapter 115C to create the Fund to be established as a special, nonreverting revenue fund, with interest and other investment income accrued to it, under the control and direction of the State Board of Education (Board). Requires the Board to use revenue in the Fund for special educational and related services for children with disabilities.

Requires the Department of Revenue to report to the Revenue Laws Study Committee and Joint Legislative Education Oversight Committee on the administration of the credit by January 1, 2010, with specific information to be included.

Effective for taxable years beginning on or after January 1, 2009, and applies to semesters beginning on or after July 1, 2009. Transfers to the Fund are prohibited before 2010-11. Expires on December 31, 2013.

Intro. by Stam, Wiley.

GS 105, 115C