

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2023

FILED SENATE  
Apr 6, 2023  
S.B. 695  
PRINCIPAL CLERK

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SENATE BILL DRS45300-Nif-121

Short Title: Reenact Child Care Tax Credit. (Public)

Sponsors: Senator Mohammed (Primary Sponsor).

Referred to:

A BILL TO BE ENTITLED  
AN ACT TO REENACT THE CHILD CARE TAX CREDIT.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 105-151.11 is reenacted as it existed immediately before its expiration, is recodified as G.S. 105-153.11, and reads as rewritten:

**"§ 105-153.11. Credit for child care and certain employment-related expenses.**

(a) Credit. – A person who is allowed a credit against federal income tax for a percentage of employment-related expenses under section 21 of the Code shall be allowed as a credit against the tax imposed by this Part an amount equal to the applicable percentage of the employment-related expenses as defined in section 21(b)(2) of the Code. In order to claim the credit allowed by this section, the taxpayer must provide with the tax return the information required by the Secretary.

(a1) Applicable Percentage. – For employment-related expenses that are incurred only with respect to one or more dependents who are seven years old or older and are not physically or mentally incapable of caring for themselves, the applicable percentage is the appropriate percentage in the column labeled "Percentage A" in the table below, based on the taxpayer's adjusted gross income determined under the Code. For employment-related expenses with respect to any other qualifying individual, the applicable percentage is the appropriate percentage in the column labeled "Percentage B" in the table below, based on the taxpayer's adjusted gross income determined under the Code.

Filing Status	Adjusted Gross Income	Percentage A	Percentage B
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%



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1				
2		Over \$40,000	7%	10%
3				
4	Single	Up to \$15,000	9%	13%
5				
6		Over \$15,000		
7		up to \$24,000	8%	11.5%
8				
9		Over \$24,000	7%	10%
10				
11	Married			
12	Filing			
13	Separately	Up to \$12,500	9%	13%
14				
15		Over \$12,500		
16		up to \$20,000	8%	11.5%
17				
18		Over \$20,000	7%	10%

19 (b) Employment Related Expenses. – The amount of employment-related expenses for  
 20 which a credit may be claimed may not exceed three thousand dollars (\$3,000) if the taxpayer's  
 21 household includes one qualifying individual, as defined in section 21(b)(1) of the Code, and  
 22 may not exceed six thousand dollars (\$6,000) if the taxpayer's household includes more than one  
 23 qualifying individual. The amount of employment-related expenses for which a credit may be  
 24 claimed is reduced by the amount of employer-provided dependent care assistance excluded from  
 25 gross income.

26 (c) Limitations. – A nonresident or part-year resident who claims the credit allowed by  
 27 this section shall reduce the amount of the credit by multiplying it by the fraction calculated under  
 28 ~~G.S. 105-134.5(b) or (c)~~, G.S. 105-153.4(b) or (c), as appropriate. No credit shall be allowed  
 29 under this section for amounts deducted in calculating North Carolina taxable income. The credit  
 30 allowed by this section may not exceed the amount of tax imposed by this Part for the taxable  
 31 year reduced by the sum of all credits allowable, except for payments of tax made by or on behalf  
 32 of the taxpayer."

33 **SECTION 2.** This act is effective for taxable years beginning on or after January 1,  
 34 2023.