



North Carolina Department of Revenue

Pat McCrory
Governor

Lyons Gray
Secretary

MEMORANDUM

TO: Joint Legislative Education Oversight Committee
Revenue Laws Study Committee

FROM: Thomas L. Dixon, Jr.
Assistant Secretary for Tax Administration

DATE: October 1, 2013

SUBJECT: Report on the Administration of G.S. 105-151.33 Education Tax Credit

Section 4 of House Bill 344 from Session Law 2011-395 requires the N.C. Department of Revenue to report to the Revenue Laws Study Committee and the Joint Legislative Education Oversight Committee on the administration of G.S. 105-151.33.

The Department was able to determine the number of tax credits taken for calendar years 2011 and 2012 based on data compiled to complete a transfer of funds to the Department of Public Instruction (DPI) as authorized under G.S. 105-151.33(h). For calendar year 2011, 619 credits were taken and \$1,238,000 was transferred to DPI. For calendar year 2012, 878 credits were taken and \$1,756,000 was transferred to DPI. Please note that these transfers were completed in June 2013 based on Section 6 of G.S. 105-151.33 which required that the transfers not be made before the 2012-2013 fiscal year.

The Department has not identified any significant issues with the administration of this tax credit. A box was added to the 2013 N.C. Individual Income Tax Return to identify the number of children eligible for the credit.

The two most prominent compliance issues related to the administration of this credit occurred when: (1) the taxpayer claimed the credit for a child who was enrolled in public education, or (2) the taxpayer claimed the credit for the payments for those special services or education that did not qualify because the child was not previously enrolled in public education for the required prior periods.

TD;jkm