

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Fiscal Note

**BILL NUMBER:** House Bill 1951 (First Edition)

**SHORT TITLE:** Increase Child Care Expenses Tax Credit.

**SPONSOR(S):** Representative Heagarty

<b>FISCAL IMPACT (\$ in millions)</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>	<b><u>FY 2014-15</u></b>
<b>REVENUES (millions)</b>	<b>(\$13.0)</b>	<b>(\$13.3)</b>	<b>(\$13.5)</b>	<b>(\$13.5)</b>	<b>(\$13.8)</b>
<b>EXPENDITURES</b>					
<b>POSITIONS (cumulative):</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	North Carolina Department of Revenue				
<b>EFFECTIVE DATE:</b>	For taxable years beginning on or after January 1, 2010.				

### BILL SUMMARY:

House Bill 1951 amends GS 105-151.11(a1), increasing by three percentage points, in each filing status category, the applicable tax credit percentage for employment-related expenses incurred 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. It increases, by two percentage points, the applicable tax credit percentage for expenses with respect to any other qualifying individual.

### ASSUMPTIONS AND METHODOLOGY:

HB 1951 would increase the tax credit percentage for employment-related expenses by three percentage points for taxpayers who use Percentage A or two percentage points for those who use Percentage B when calculating their Credit for Child and Dependent Care Expenses. These new percentages were included in a simulation scenario within BearingPoint's North Carolina Individual Income Tax Model. Increasing these percentages would yield a \$13 million loss in FY10-11 revenues.

The North Carolina Department of Revenue's 2009 Biennial Tax Expenditure Report estimates the current Credit for Child Care and Certain Employee-Related Expenses as being a \$53.6 million loss in revenues. HB 1951 would increase the current credit by approximately 24%.

**SOURCES OF DATA:**

BearingPoint's North Carolina Individual Income Tax Model, North Carolina Department of Revenue

**TECHNICAL CONSIDERATIONS:** None

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**DATE:** June 8, 2010

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