

A SPECIAL NEEDS TAX CREDIT BILL IN NORTH CAROLINA WOULD ALLOW AN INDIVIDUAL INCOME TAX CREDIT FOR PART OF THE EXPENSE OF EACH ELIGIBLE CHILD WITH SPECIAL NEEDS WHO IS EDUCATED IN A NONPUBLIC SCHOOL OR IN A PUBLIC SCHOOL WHERE TUITION IS CHARGED FOR THE STUDENT'S ENROLLMENT.

WHY?

- North Carolina currently funds nearly 200,000 children with special needs in our public schools. This headcount does not include special needs children who currently are not in the public school system. The state has an obligation to assist these children who have a right to be enrolled in public education.
- The bill would assist parents who cannot easily afford alternative means of education. A family would be able to enroll their child in a public school for a year before transferring to a school that is better equipped to suit the child's needs

ELIGIBILITY AND IMPACT

- Beyond being certified with the IEP (Individual Education Plan) while in public school, a student would need to fit the following criteria to qualify for the tax credit:
 1. The student must have been enrolled in public school the previous year (i.e. fall semester then spring semester, or spring semester then fall semester);
 2. The student must require daily services outside the classroom; and
 3. The student must be under the age of 22.
- The bill would allow an individual income tax credit for part of the educational expense of each eligible child who is educated in a nonpublic school. The education expenses credit would be equal to the amount paid for tuition and other educational and therapeutic expenses, not to exceed \$3,000 per semester.
- The bill would impact three types of taxpayers whose children meet the definition of special educational needs as defined in the bill: taxpayers with children in private schools, those who home school, and those with children currently enrolled in public schools who might transfer to nonpublic schools after passage of the bill.
- A taxpayer may not qualify for the tax credit for any semester when the child was: **1**) enrolled for any time as a full-time student in a postsecondary educational institution, or **2**) was 22 or older during the entire semester.

THE BILL WOULD PROVIDE A REFUNDABLE TAX CREDIT, ALLOWING ANY QUALIFYING FAMILY OF A SPECIAL NEEDS CHILD TO OBTAIN UP TO \$6,000 PER YEAR, REGARDLESS OF INCOME, FOR TUITION COSTS.



SAVINGS TO LOCAL COUNTIES & PUBLIC SCHOOLS

- Using the middle range of estimates, about 3,000 eligible students with special needs would be provided alternative education up to \$6,000 per year. The public school system would be able to save time, energy and resources. In addition, the taxpayers would be able to see their tax dollars more efficiently spent.
- Tax credits for special needs children, who are the most expensive to educate, actually would save counties thousands of dollars.
- Estimates by Fiscal Research show that a tax credit would cost the state of North Carolina about \$3 million while saving counties about \$6 million per year, a net gain to the state and local governments of about \$3 million each year.
- \$6,978.96 is the predicted operational savings to the state that results from each student with an IEP transferring from the public schools, with \$2,100 local expenditures savings.