

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1422 (First Edition)

SHORT TITLE: Make Credits Constitutional

SPONSOR(S): Representative C. Wilson, et al.

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>
REVENUES					
General Fund					
Child Care Credit	(\$600,000)	(\$600,000)	(\$600,000)	(\$600,000)	(\$600,000)
Handicapped Credit	Minimal Impact				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue - Personal Taxes Division					
EFFECTIVE DATE: Effective for taxable years beginning on or after January 1, 1998.					

BILL SUMMARY: The act removes unconstitutional restrictions that prevent nonresidents from taking individual income tax credits for child care and for constructing dwellings for the handicapped.

ASSUMPTIONS AND METHODOLOGY:

Child Care Credit

The Tax Research Division of the Department of Revenue estimates that allowing nonresidents to claim a prorated child care credit will produce a General Fund revenue loss of \$400,000 to \$600,000 per year. Tax Research used a 1991 individual income tax database to derive this estimate. This note will assume the maximum revenue loss of \$600,000 to account for growth in the cost of dependent care and in the number of eligible taxpayers since 1991.

Handicapped Dwellings Credit

The Tax Research Division in the Department of Revenue could not identify in its income tax database any potential credits for nonresidents who build handicapped dwellings. According to data compiled by the Building Accessibility Section in the Department of Insurance, there have been 63 handicapped accessible units built by nonresident companies since 1991 (none in 1996 and 1997). At \$550 per unit, this equates to \$34,650 or \$4950 per tax year. Based on this experience in the 1990's, expanding the credit to nonresidents should have little or no impact on the General Fund.

FISCAL RESEARCH DIVISION

733-4910

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