



HOUSE BILL 1105: Coronavirus Relief Act 3.0, Sec. 1.3: Extra Credit Grant Program

2019-2020 General Assembly

Committee:		Date:	September 9, 2020
Introduced by:		Prepared by:	Cindy Avrette Staff Attorney
Analysis of:	Sec. 1.3 of S.L. 2020-97		

OVERVIEW: This provision allocates \$440,541,000 of the federal funds in the Coronavirus Relief Fund to provide a grant of \$335 to eligible families to assist with virtual schooling and child-care costs during the COVID-19 pandemic. The grant is available to families that resided in the State for all of 2019 and reported they had at least one child eligible for the federal child tax credit in 2019. 1.2 million families, with almost 2 million children, are expected to qualify for the grant. The provision also provides a State income tax deduction for the 2020 taxable year equal to the grant amount received.

Section 1.1(c) and Section 1.3 of this act became effective when the act was signed into law on September 4, 2020. Section 1.4 of this act is effective for taxable years beginning on or after January 1, 2020, and expires for taxable years beginning on or after January 1, 2021.

BILL ANALYSIS: Section 1.1(c) of the act¹ allocates \$440,541,000 of the federal funds in the Coronavirus Relief Fund (CRF) to fund a grant program for eligible individuals. The Department of Revenue will administer the grant program and may use up to \$5,000,000 of the amount allocated for its administrative expenses. If the amount of grants awarded exceeds the amount of money allocated from the CRF for this program, then there is appropriated from the General Fund for the 2020-2021 fiscal year an amount to cover the difference.

Section 1.3 creates the Extra Credit Grant Program to provide economic support to families in North Carolina to assist them with virtual schooling and child-care costs during the COVID-19 pandemic. The grant amount is equal to \$335 per family. The criteria to receive a grant are: (i) the family resided in the State for all of 2019 and (ii) reported they had at least one child eligible for the federal child tax credit. To qualify for the federal child tax credit, the child must be under the age of 17, the child must be claimed as a dependent by the taxpayer on the 2019 tax return, and the taxpayer's income must be under the modified adjusted gross income (MAGI) limit of \$440,000 for joint filers and \$240,000 for single filer and heads of household. Parents who do not meet the criteria, for example parents that moved to the State in 2019 or 2020 and parents whose MAGI exceeds the federal phase-out amounts, are not eligible for a grant under this legislation.

In part to enable quick administration and timely release of the CRF funds prior to the federal deadline,² the grant program is tied to 2019 tax filers. An eligible individual who filed a State tax return on or before October 15, 2020, does not need to take any action to receive the grant. An individual who did not file a 2019 State tax return solely because the individual's gross income for the 2019 taxable year did not exceed the state filing requirements for the individual's filing status may apply for a grant.³ The application must

¹ It amends Section 3.1 of S.L. 2020-4, as amended by Section 1 of S.L. 2020-32 and Section 1.1(b) of S.L. 2020-80.

² The federal Coronavirus Relief Funds must be expended by December 31, 2020.

³ The 2019 standard deduction amount for joint filers was \$20,000; \$10,000 for single filers; and \$15,000 for heads of household.

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919-733-2578

House Bill 1105

Page 2

be submitted on or before October 15, 2020, to receive the grant. If the application is mailed, it must be postmarked on or before October 15, 2020.

The grant amount of \$335 will be sent automatically to eligible individuals who filed a 2019 state tax return on or before October 15, 2020. The Department will send grants as soon as practicable but no later than December 15, 2020. A grant may be issued by direct deposit if the individual received a 2019 State tax refund by direct deposit. Grants issued by check are valid for 90 days.

Section 1.4 of the act provides a 2020 State income tax deduction equal to the grant amount received. The grant remains part of 2020 taxable income for purposes of federal income tax.

EFFECTIVE DATE: Section 1.1(c) and Section 1.3 of this act became effective when the act was signed into law on September 4, 2020. Section 1.4 of this act is effective for taxable years beginning on or after January 1, 2020, and expires for taxable years beginning on or after January 1, 2021.