COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1163-01
Bill No.: HB 528
Subject: Disabilities; Elderly; Revenue Department; Tax Credits; Taxation and Revenue
Type: Original
Date: February 24, 2009

Bill Summary: This proposal increases the amount of tax credits available for taxpayers who modify their home for disabled persons and provides such credit for doing the same for seniors.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	$0	$0	$0
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal expands the Individual Dwelling Disabled Access program by providing tax credits for taxpayers who modify their homes for resident seniors. This proposal also raises the cap on the program from $100,000 to the amount allowed but unused by the Rebuilding Communities program each year. The amount of tax credits available for the Rebuilding Communities program is $8 million. In FY 2008, $1.97 million was redeemed under this program. Based on this information, the proposal could reduce general and total state revenues up to $6 million.

Officials from the **Department of Social Services (DOS)** state the Accessible Home Tax Credit was enacted in 2007 (HB 741). It authorizes state income tax credits for disabled persons who make modifications to their primary residences in order to make their homes more accessible. The aggregate tax credit was originally limited to $100,000 per year. The $100,000 was carved out of the $10 million Distressed Communities Tax Credit. This bill removes the $100,000 cap and allows the Accessible Home Tax Credit to use the entire unused amount in the Distressed Communities Tax Credit if its $10 million cap is not reached.

The bill also expands the Accessible Home Tax Credit to seniors, as well as the disabled. Finally, it allows the tax credit to be used for constructing additional rooms for the purpose of accommodating the senior or person with a disability, in addition to just modifications of an existing structure.

The Department of Economic Development (DED) administers the tax credit. DED, in consultation with the Department of Social Services, was given the responsibility of promulgating the rules or regulations necessary to administer the Accessible Home Tax Credit program. This part of the statute is unchanged.

The Department of Social Services did not show any fiscal impact in 2007 when the tax credit was enacted. Therefore, there continues to be no fiscal impact to the Department of Social Services. Increasing the size of the tax credit and the number of potential filers does not increase DOSS's role, which is limited to helping craft the rules and regulations if requested by DED.

Officials from the **Department of Revenue (DOR)** state their Personal Tax section would require one Revenue Processing Technician I (at $25,380 annually) for every 4,000 additional credits claimed related to the improvements made for seniors. DOR states their Collections and Tax Assistance would need one Tax Collection Technician I for every 15,000 additional contacts annually to the Delinquent inbound line as well as for every 24,000 additional contacts annually

<u>ASSUMPTION</u> (continued)

to the Non-Delinquent tax line. DOR also assumes the need for one Revenue Processing Technician I for every 4,800 additional contracts annually in the field offices. In summary, DOR assumes the need for four additional FTE at a total cost to the General Revenue fund of $154,455 in FY 2010, $164,343 in FY 2011 and $169,273 in FY 2012.

Oversight assumes this proposal simply moves unused tax credits from one program to another and that the Department of Revenue has already reflected potential administrative costs in the fiscal note for the original $8 million Rebuilding Communities program. Therefore, Oversight will assume the Department of Revenue will be able to administer the changes set forth in this proposal with existing resources.

Officials from the **Department of Economic Development** assume the proposal would not fiscally impact their agency.

Oversight assumes the proposal would earmark any unused Rebuilding Communities Program tax credits ($8 million annual cap per DED) to the new Accessible Home Tax Credit program. According to DED's Tax Credit Analysis, the amount of tax credits issued under the Rebuilding Communities program was $1.7 million each in FYs 2006, 2007, and 2008. DED's projection for FY 2009 and FY 2010 are for issuances of $1.85 million each year. <u>Therefore, with an $8 million annual cap, this proposal could increase tax credit issuances by $6.2 million ($8 million annual cap - $1.7 million current utilization - $100,000 current transfer to Section 135.562)</u>.

For budgeting purposes, Oversight assumes this proposal could reduce Total State Revenues by $6.2 million each year. However, since **Oversight** has already reflected the potential loss of the Rebuilding Communities tax credit program of up to annual limit, Oversight will assume this proposal does not increase the annual limit (of $8 million), and therefore, the fiscal impact of the proposal has already been reflected in a prior fiscal note. Therefore, even though this proposal will increase utilization of the tax credit program, Oversight will not reflect an additional loss of revenue to the General Revenue Fund.

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 81 percent to 86 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 83 percent of tax credits issued. Therefore, under this proposal, if $6,200,000 of credits are issued, Oversight would assume $5,146,000 (83%) of credits to be redeemed, reducing Total State Revenues.

ASSUMPTION (continued)

Oversight assumes there will some fiscal benefit resulting from this proposal; however, Oversight considers those benefits to be an indirect impact and have not reflected them on the fiscal note.

This proposal could reduce Total State Revenues.

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
Savings - Rebuilding Communities tax credit program (to new program)	$0 to $6,200,000	$0 to $6,200,000	$0 to $6,200,000
Costs - tax credit for making all or portion of dwellings accessible to an individual with a disability or a senior	$0 to ($6,200,000)	$0 to ($6,200,000)	$0 to ($6,200,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Currently, up to $100,000 in tax credits remaining unused under the Rebuilding Communities Tax Credit Program are allocated for use by taxpayers who modify their homes for a disabled person residing with them. This bill removes the $100,000 cap and adds taxpayers who modify their homes for a senior citizen residing with them to those eligible for the tax credit.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration - Budget and Planning
Department of Social Services

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