COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3449-01
Bill No.: SB 717
Subject: Disabilities; Tax Credits
Type: Original
Date: January 30, 2008

Bill Summary: This proposal increases the amount of tax credits available for taxpayers who modify their home for disabled persons residing with such taxpayers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** state this proposal raises the cap on the Individual Dwelling Disabled Access program from $100,000 to the amount allowed but unused by the Rebuilding Communities program each year. BAP defers to the Department of Economic Development for a projection of the unused amounts of this program. This proposal may reduce general and total state revenues.

Officials from the **Department of Economic Development (DED)** and the **Department of Revenue** each assume the proposal will not fiscally impact their respective agencies.

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 Department of Economic Development, 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 impact last year 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 DOS's role.

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 in FYs 2005, 2006, and 2007. DED’s projection for FY 2008 and FY 2009 are for issuances of $1.75 million each year. 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).

ASSUMPTION (continued)

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 79 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.

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 2009 (10 Mo.)	FY 2010	FY 2011
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	$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 2009 (10 Mo.)	FY 2010	FY 2011
	$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

This act increases the amount of tax credits available for taxpayers who modify their home to be accessible for disabled people who reside with such taxpayer. Under current law, up to one hundred thousand dollars in tax credits remaining unused under the rebuilding communities tax credit program are allocated for use by taxpayers who modify their homes for disabled persons residing with such taxpayers. This act increases the amount of available tax credits by allocating all unused tax credits under the rebuilding communities tax credit program for use by taxpayers who modify their homes for disabled persons residing with such taxpayers. The rebuilding communities tax credit program is capped at eight million dollars annually.

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

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