

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 337** HLS 17RS 609

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> June 7, 2017	5:49 PM	<b>Author:</b> STOKES
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Income Tax Credit for Disabilities Home Improvements		

TAX CREDITS EN DECREASE GF RV See Note Page 1 of 1  
Provides for an individual income tax credit for improvements made to the residences of individuals with certain disabilities

Present law grants a \$720 nonrefundable one-time credit for the inclusion of barrier-free design elements in new family dwelling construction.

Proposed law extends the credit to renovations of existing owner-occupied and rental dwellings where a disabled person resides, increases the credit from \$5,000 to "\$5,000 or the cost of construction if less than \$5,000", and allows a five-year carry forward of unused amounts. The total aggregate amount of credit that may be allowed in a year is \$500,000. The program annual total of credit is to be allocated on a first-come, first-served basis. If over-subscribed, excess claims are prioritized within the following year's maximum.

Effective for all tax years beginning on and after January 1, 2018.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

The Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time (in this case \$51,000). An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept. The tracking of claimed credits against the maximum annual allowance will likely incur additional costs, although the Dept. may be able to add this credit to the tracking against a maximum allowance already required of solar and film tax credits.

**REVENUE EXPLANATION**

The expansion of the existing credit can only work to reduce net state tax receipts, but the extent that taxpayers will utilize this expanded credit is speculative. However, the current law credit exhibited claims of only \$41,000 in FY14 and \$46,000 in FY15 when limited to \$1,000, then \$10,000 in FY16 when limited to \$720. This suggests that the claims are likely to be small relative to the \$500,000 aggregate annual cap of the credit, but this bill is increasing the credit significantly to \$5,000. Thus, cost exposure to the state is likely greater than under current law.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*John D. Carpenter*  
**John D. Carpenter**  
**Legislative Fiscal Officer**