DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement

REVISED

1. Patron Robert D. Orrock, Sr.

2. Bill Number HB 2498

House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
__X__ **Enrolled**

3. Committee Senate Finance

4. Title Residential Tax Credit; Increased Accessibility and Visitability for the Disabled

5. Summary/Purpose:

This bill expands the current individual income tax credit for retrofitting residences with accessibility features. The bill also renames the credit the "Livable Home Tax Credit." The expanded credit would cover purchases designed to improve accessibility or visitability and meets eligibility guidelines established by the Department of Housing and Community Development. The credit may be for newly constructed residences in addition to retrofitting existing residences. The amount of credits granted for any taxable year may not exceed $1 million with each taxpayer limited to a $500 credit for a taxable year.

The bill would be effective for new residences purchased or existing residences retrofitted in taxable years beginning on or after January 1, 2008.

6. Fiscal Impact Estimates are: Preliminary. (See Line 8.)
6a. Expenditure Impact:

Department of Housing and Community Development

Fiscal Year	***Dollars***	***Fund***
2006-07	-	-
2007-08	$8,000	GF
2008-09	$8,000	GF
2009-10	$8,000	GF
2010-11	$8,000	GF
2011-12	$8,000	GF
2012-13	$8,000	GF

7. Budget amendment necessary: No.

8. Fiscal implications:

Administrative Impact

The Department of Housing and Community Development anticipates that an additional $8,000 annually will be required for the initial implementation of this legislation. This would include costs associated with the development of eligibility requirements, as mandated by the proposed legislation, and a part-time staff person to process applications. Because the workload associated with the administration of this program will depend on public response to the expanded incentives, DHCD notes that administrative costs could increase in years subsequent to FY 2009. The agency will review the level of public participation and recommend appropriate adjustments needed to sustain the program in the out years.

TAX considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

The expanded home accessibility credit will result in a revenue loss of unknown magnitude. Through November, 2006, processing of tax year 2005 returns, the current credit was claimed on 23 tax returns for a total of $8,806. Even a substantial increase in the number of returns claiming the credit would not result in a significant revenue loss.

Because of the $1 million cap on this credit, the maximum revenue loss may never exceed that amount annually.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Housing and Community Development

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The Disabled Accessibility Features Tax Credit is currently offered to Virginians who retrofit an existing resident with certain accessibility features. The credit is equal to 25% of the amount spent for qualified accessibility features. The credit does not apply to new construction or to newly purchased homes.

The current credit defines the accessibility features that qualify for the credit as: one no stop entrance allowing access into the residence, interior passage doors providing a thirty-two inch wide opening, reinforcements in bathroom walls and installation of grab bars around the toilet, tub and shower, light switches and outlets placed in wheelchair accessible locations and universal design features prescribed in the Virginia Uniform Statewide Building Code.

Proposal

This bill would repeal the definition of "accessibility features" and require the Department of Housing and Community Development ("DHCD") to develop guidelines establishing the eligibility requirements by September 30, 2007, for the renamed "Livable Home Tax Credit. DHCD would also be required to review and approve applications for the credit and ensure that the total credits granted do not exceed $1 million annually.

The credit would be extended to taxpayers who purchase a new residence. The amount of the credit would be $500 for a new residence that satisfies the criteria promulgated by DHCD, and 25% of the costs retrofitting an existing residence in accordance with the guidelines to be promulgated by DHCD.

Similar Legislation

Senate Bill 791 is identical to this bill.

cc : Secretary of Finance

Date: 3/16/2007 JOC
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