

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Vivian E. Watts

3. **Committee** House Finance

4. **Title** In-Home Health Care Tax Credit

2. **Bill Number** HB 2609

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would establish an individual income tax credit for individuals who care for a family member and pay for the family member's in-home health care expenses. The credit would be equal to the amount paid by the individual for in-home health care for which there is no reimbursement and for which no other deduction has been taken. The credit would be reduced by \$1 for every \$2 that the individual's federal adjusted gross income exceeds \$50,000 for single taxpayers and \$75,000 for married taxpayers. The amount of the credit could not exceed the individual's income tax liability.

This bill would be effective for taxable years beginning on or after January 1, 2008.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

Administrative Impact

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

The magnitude of the revenue loss associated with this bill is unknown because the available data on caregiving is limited. Moreover, some of the expenses would be eligible for the federal itemized deductions to the extent that the individual is caring for a dependent and all medical expenses exceeded 7.5% of federal adjusted gross income. Therefore, the credit amount would depend on qualifying expenses and each individual's federal tax situation.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Federal Medical and Dental Expenses Deduction

Currently, if a taxpayer itemizes his deductions on his federal income tax return, the taxpayer may claim a deduction for the amount of medical and dental expenses that is greater than 7.5% of his federal adjusted gross income. Generally, taxpayers may take into account medical expenses paid for themselves as well as those paid for someone who was either a spouse or a dependent when the medical services were paid for or provided. Because Virginia is a conformity state, this federal deduction would also flow through to the Virginia income tax return.

Proposal

This bill would establish an individual income tax credit for individuals who care for a family member and pay for such family member's in-home health care expenses. The credit would be equal to the amount paid by the individual for in-home health care for which there is no reimbursement and for which no other deduction has been taken. The credit would be reduced by \$1 for every \$2 that the taxpayer's federal adjusted gross income exceeds \$50,000 for single taxpayers and \$75,000 for married taxpayers. This amount of the credit could not exceed the individual's income tax liability.

In-home health care expenses would include unreimbursed medical expenses and companion care expenses.

In order to claim this credit, the taxpayer would be required to submit proof of the amount paid during the taxable year based on information requirements established by the Tax Commissioner. These requirements would be explained in the instructions for the income tax return.

This bill would be effective for taxable years beginning on or after January 1, 2008.

Similar Legislation

House Bill 2608 would create a deduction for the first \$10,000 earned by licensed medical caregivers who provide medical-related services to individuals in their homes.

House Bill 2220 would provide a deduction for organ donors for unremibursed expenses.

cc : Secretary of Finance

Date: 1/23/2007 JOC
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