DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement

1. Patron Christopher K. Peace

2. Bill Number HB 1938

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

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

3. Committee Passed House and Senate

4. Title Income Tax: Livable Home Tax Credit

5. Summary/Purpose:

This bill increases the maximum amount of the Livable Home Tax Credit. The amount of the credit would be $2,000 for a new residence designed to improve accessibility, or 50% of the costs, not to exceed $2,000, for retrofitting an existing residence to improve accessibility.

This bill would be effective for taxable years beginning on or after January 1, 2010.

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

7. Budget amendment necessary: No.

8. Fiscal implications:

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

Department of Housing and Community Development Administrative Impact

The Department of Housing and Community Development ("DHCD") reports that its administration of the Livable Home Tax Credit program should not be directly affected by this change. Greater interest and participation by eligible participants, however, would lead to more transactions being handled by the agency.

Revenue Impact

This bill would result in a minimal loss of income tax revenue. For taxable year 2007, a total of $22,676 in Livable Home Tax Credits was claimed on 54 returns. If every return claimed the maximum $2,000 amount, there would have been a revenue loss less than $100,000 in credits claimed annually.

The amount of Livable Home Tax Credits that may be granted is capped at $1 million annually; however, the amount of credits that are actually claimed per taxable year typically does not approach this limit.

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 Livable Home Tax Credit is currently offered to taxpayers who purchase a new residence or retrofit or hire someone to retrofit an existing residence. The new residence or the retrofitting of an existing residence must be designed to improve accessibility, provide universal visitability, and meet the eligibility requirements established by guidelines developed by the Department of Housing and Community Development ("DHCD"). The amount of the credit is $500 for the purchase of a new residence, or 25% of the costs of retrofitting an existing residence, up to a maximum of $500. Credits may be carried forward for up to five taxable years.

Under current law, DHCD is required to review and approve applications for the credit. The amount of credits granted for any taxable year may not exceed $1 million.

Proposal

This bill increases the maximum amount of the Livable Home Tax Credit. The amount of the credit would be $2,000 for a new residence designed to improve accessibility, or 50% of the costs, not to exceed $2,000, for retrofitting an existing residence to improve accessibility.

This bill would be effective for taxable years beginning on or after January 1, 2010.

Other Legislation

Senate Bill 845 is identical to this bill.

cc : Secretary of Finance

Date: 2/13/2009 TLG
HB1938FER161