DEPARTMENT OF TAXATION
2011 Fiscal Impact Statement

1. Patron Kenneth R. Plum

2. Bill Number HB 1753
House of Origin:
X **Introduced**
____ **Substitute**
____ **Engrossed**

Second House:
____ **In Committee**
____ **Substitute**
____ **Enrolled**

3. Committee House Finance

4. Title Income Tax: Livable Tax Credit

5. Summary/Purpose:

This bill would expand the Livable Home Tax Credit to allow a contractor who builds new residences or retrofits existing residences to provide visitability or improve accessibility to be eligible for the tax credit.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

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

8. Fiscal implications:

Department of Taxation Administrative Impact

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.

Revenue Impact

This bill would result in an unknown, but minimal, revenue loss. Based on FY 2010 data, the current credit was claimed on 28 tax returns with a $500 credit (the maximum allowed before TY 2010), and 11 returns with smaller credits. If the 28 returns at the $500 maximum were able to claim the current $2,000 maximum, credits would have totaled $58,689 for the year. If each taxpayer that claimed the $2,000 maximum hired a contractor that also claimed the credit, the total amount of credits would increase by an additional $58,689. The increase could be less if the taxpayer does not hire a contractor to add accessibility and visitability features, or it could be greater if there is an increase in construction costs or the number of contractors eligible to claim the credit.

However, the annual maximum revenue loss associated with this bill is unlikely to approach the $1 million cap for this credit.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Housing and Community Development

10. Technical amendment necessary: Yes.

Page 1, Line 29, after spent
Insert: by the contractor

Page 1, Line 45, after receive.
Insert: No credit shall be allowed more than once to the same or different persons relating to the same retrofitting, renovation, or construction project.

11. Other comments:

Background

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 $2,000 for the purchase of a new residence, or 50% of the costs of retrofitting an existing residence, up to a maximum of $2,000. Credits may be carried forward for up to five taxable years.

From January 1, 2000, through December 31, 2009, the amount of the credit was equal to $500 for the purchase of a new residence, or 25% of the costs of retrofitting an existing residence, up to a maximum of $500.

In 2009, the General Assembly (2009 Acts of Assembly, Chapter 15, House Bill 1938, and Chapter 496, Senate Bill 845) increased the maximum amount of the credit for taxable years beginning on and after January 1, 2010, to $2,000 for the purchase of a new residence, and 50% of the costs of retrofitting an existing residence, up to a maximum of $2,000.

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 would expand the Livable Home Tax Credit to allow a contractor who builds new residences or retrofits existing residences to provide visitability or improve accessibility to be eligible for the tax credit.

Under this bill, a “contractor” would mean any person, that for a fixed price, commission, fee, or percentage undertakes to bid upon, or accepts, or offers to accept, orders or contracts for performing, managing, or superintending in whole or in part, the construction, removal, repair or improvement of any building or structure permanently annexed to real property owned, controlled, or leased by him or another person or any other improvements to such real property.

TAX has suggested technical amendments to clarify that the contractor’s credit should be based on the contractor’s costs, and to ensure that the contractor and homeowner cannot claim a credit for the same work.

Similar Legislation

House Bill 1950 would expand the Livable Home Tax Credit to allow a real estate developer to be eligible for the tax credit, and would increase the maximum credit amount from $2,000 to $5,000 for the purchase or construction of a new residence.

cc : Secretary of Finance

Date: 1/20/2011 TG
HB1753F161