DEPARTMENT OF TAXATION
2014 Fiscal Impact Statement

1. Patron Ronald A. Villanueva

3. Committee House Finance

4. Title Livable Home Tax Credit; Increases Total Amount Granted for Program

2. Bill Number HB 295

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

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

5. Summary/Purpose:

This bill would increase the total amount of Livable Home Tax Credits granted per fiscal year from $1 million to $2 million. The Department of Housing and Community Development ("DHCD") would allocate $1 million in tax credits for the purchase or construction of new residences and $1 million in tax credits for the retrofitting or renovation of existing residences or residential structures or units.

The effective date of this bill is not specified.

6. Budget amendment necessary: Yes.
Item 104, Department of Housing and Community Development.

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

Fiscal Year	***Dollars***	***Positions***	***Fund***
2013-14	$0	0	GF
2014-15	$27,500	1 P14	GF
2015-16	$27,500	1 P14	GF
2016-17	$27,500	1 P14	GF
2017-18	$27,500	1 P14	GF
2018-19	$27,500	1 P14	GF
2019-20	$27,500	1 P14	GF

8. Fiscal implications:

Administrative Costs – Department of Taxation

The Department of Taxation ("the Department") 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, the Department considers implementation of this bill as "routine," and does not require additional funding.

The Department will provide specific administrative costs on any legislation that is not "routine." Additionally, the Department 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, the Department will identify the costs at that time.

Administrative Costs – Department of Housing and Community Development

DHCD estimates it would have administrative costs of $27,500 annually, beginning in Fiscal Year 2015. These costs would include the wages for one additional part-time staff position to assist with the anticipated increased volume of credit applications.

Revenue Impact

This bill would result in an unknown revenue loss. The maximum amount of credits that could be issued annually would be $2 million, but it is unknown if the full amount would be issued. According to DHCD, $197,476 of credits were issued for Taxable Year 2010, $979,622 for Taxable Year 2011, and $884,571 for Taxable Year 2012.

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 visibility, and meet the eligibility requirements established by guidelines developed by DHCD.

The tax credit is allowed for the taxable year in which the new residence has been purchased or construction, retrofitting, or renovation of the existing residential structure or unit has been completed. The amount of the tax credit is $5,000 for the purchase of a new residence or the construction of each new residential structure or unit, or 50 percent of the total amount expended, but not to exceed $5,000, for the retrofitting or renovation of each existing residence or residential structure or unit. The tax credit is nonrefundable; however, any unused credit amount may be carried forward for the next seven taxable years or until the tax credit issued has been taken, whichever is sooner.

Under current law, DHCD is required to review and approve applications for the credit. The total amount of credits granted in any fiscal year may not exceed $1 million. In each year, DHCD must allocate $500,000 in tax credits for the purchase or construction of new residences and $500,000 in tax credits for the retrofitting or renovation of existing residences or residential structures or units. If either allocation is not fully utilized, DHCD may reallocate the remaining balance of such tax credits. In the event applications for the tax credit exceed the amount allocated for the fiscal year, DHCD may issue the tax credits pro rata based upon the amount of tax credit approved for each taxpayer and the amount of reallocated tax credits.

DHCD may not issue tax credits relating to transactions or dealings between affiliated entities. In addition, no tax credits may be issued more than once to the same or different persons relating to the same retrofitting, renovation, or construction project.

Proposed Legislation

This bill would increase the total amount of Livable Home Tax Credits granted per fiscal year from $1 million to $2 million. DHCD would allocate $1 million in tax credits for the purchase or construction of new residences and $1 million in tax credits for the retrofitting or renovation of existing residences or residential structures.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 57 and **Senate Bill 62** are identical to this bill.

cc : Secretary of Finance

Date: 1/12/2014 mjm
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