

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Robert D. Orrock, Sr.

2. **Bill Number** HB 2498

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

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

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would expand the current individual income tax credit for retrofitting residences with accessibility features. The bill would also rename the credit the "Livable Home Tax Credit." The expanded credit would cover purchases "designed to improve the accessibility or quality of life for disabled individuals," with eligibility guidelines established by the Department of Housing and Community Development. The purchases may be for existing or newly constructed 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 taxable years beginning on and after January 1, 2008.

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

6a. **Expenditure Impact:**

Department of Housing and Community Development

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	-	-	-
2007-08	\$8,000	0	GF
2008-09	\$8,000	0	GF
2009-10	\$8,000	0	GF
2010-11	\$8,000	0	GF
2011-12	\$8,000	0	GF
2012-13	\$8,000	0	GF

7. **Budget amendment necessary:** Yes.

Item 106, Department of Housing and Community Development

8. Fiscal implications:

Administrative Impact

The Department of Housing and Community Development anticipates that an additional \$8,000 annually will be required to implement 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.

TAX believes that it can implement this bill as part of its routine annual changes to systems and forms and is not requesting funding at this time, but may revise this assumption later in the session after analyzing the cumulative effect of all state tax legislation.

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

House Bill 1721 would similarly expand the credit, but would not involve the Department of Housing and Community Development in the administration of the credit.

House Bill 3026 would similarly expand the credit, but would increase the credit available to disabled veterans and not involve the Department of Housing and Community Development in the administration of the credit.

Senate Bill 791 is similar to this bill and is the recommendation of the Disability Commission.

cc : Secretary of Finance

Date: 1/16/2007 JOC
HB2498F161.doc