

# DEPARTMENT OF TAXATION

## 2009 Fiscal Impact Statement

1. **Patron** Linda T. Puller

3. **Committee** Senate Finance

4. **Title** Income Tax: Livable Home Tax Credit

2. **Bill Number** SB 845

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill increases the maximum amount of the Livable Home Tax Credit. The amount of the credit would be \$1,000 for a new residence designed to improve accessibility, or 25% of the costs, not to exceed \$1,000, for retrofitting an existing residence to improve accessibility.

The effective date of this bill is not specified.

**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. 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.

## 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. Even if this amount were doubled, there would be an increase of less than \$23,000 in credits claimed annually.

Please note that while the amount of Livable Home Tax Credits that may be granted is capped at \$1 million annually, the amount of credits that are actually claimed per taxable year typically does not come anywhere near this limit.

### **9. Specific agency or political subdivisions affected:**

Department of Taxation  
Department of Housing and Community Development

### **10. Technical amendment necessary:** Yes.

In order to clarify the effective date of this bill, the following technical amendment is recommended:

Page 1, Line 35, after taxpayer shall receive.

Insert: **2. That this act shall be effective for taxable years beginning on or after January 1, 2009.**

### **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 \$1,000 for a new residence designed to improve accessibility, or 25% of the costs, not to exceed \$1,000, for retrofitting an existing residence to improve accessibility.

The effective date of this bill is not specified.

## Other Legislation

**House Bill 1938** would increase the percentage of the costs from 25% to 50% for retrofitting an existing residence to improve accessibility and the credit limit from \$500 to \$2,000 for new and existing residences, effective for taxable years beginning on and after January 1, 2010.

**House Bill 2343** would increase the credit limit from \$500 to \$1,000, effective for taxable years beginning on and after January 1, 2009.

**Senate Bill 1148** would increase the credit limit from \$500 to \$1,000, effective for taxable years beginning on and after January 1, 2010.

cc : Secretary of Finance

Date: 1/16/2009 TLG  
SB845F161