

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** David L. Bulova

2. **Bill Number** HB 2099

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

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

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would increase the aggregate cap of the Livable Home Tax Credit from \$1 million to \$2 million per fiscal year, as well as increase the maximum amount of Livable Home Tax Credits a taxpayer may claim per year from \$5,000 to \$6,500.

The provisions regarding the changes in the amount of the Livable Home Tax Credit a taxpayer may claim per year would be effective for taxable years beginning on and after January 1, 2023. If enacted during the regular session of the 2023 General Assembly, the remaining provisions would be effective on July 1, 2023.

6. Budget amendment necessary: Yes.

Item(s): Page 1, Revenue Estimates

Item 114, DHCD Housing Assistance Services

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2023-24	\$150,000	1	GF
2024-25	\$150,000	1	GF
2025-26	\$150,000	1	GF
2026-27	\$150,000	1	GF
2027-28	\$150,000	1	GF
2028-29	\$150,000	1	GF

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2023-24	(\$1 million)	GF
2024-25	(\$1 million)	GF
2025-26	(\$1 million)	GF
2026-27	(\$1 million)	GF
2027-28	(\$1 million)	GF
2028-29	(\$1 million)	GF

8. Fiscal implications:

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine, and does not require additional funding. The Department of Housing and Community Development ("DHCD") estimates that this bill would result in \$150,000 in additional costs. DHCD anticipates that their agency would incur additional administrative expenses to implement this bill including the hiring of one additional full-time employee.

Revenue Impact

This bill would result in an annual negative General Fund revenue impact of up to \$1 million beginning in Fiscal Year 2024. According to DHCD, demand for this tax credit has been increasing over time and it is currently oversubscribed, with credit amounts being prorated. It is unknown whether credit applications would reach \$2 million if the credit cap is increased.

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 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 aggregate cap of the Livable Home Tax Credit from \$1 million to \$2 million per fiscal year. DHCD would be required to continue to equally split the total amount of credits available between: (i) the purchase or construction of new residences; and (ii) the retrofitting and renovation of existing residences. As a result, this bill would increase the amount of credits available for each of the above categories from \$500,000 to \$1 million per fiscal year.

This bill would increase the maximum amount of Livable Home Tax Credits a taxpayer may claim per year from \$5,000 to \$6,500.

The provisions regarding the changes in the amount of the Livable Home Tax Credit an individual taxpayer can claim per year would be effective for taxable years beginning on and after January 1, 2023. If enacted during the regular session of the 2023 General Assembly, the remaining provisions would be effective on July 1, 2023.

cc : Secretary of Finance

Date: 2/23/2023 RWC
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