

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 583
 Ways and Means

(Delegate Rosso, *et al.*)

Income Tax - Credit for Retrofitting Home for Individuals with Disabilities

This bill provides an income tax credit to individuals whose federal adjusted gross income (FAGI) does not exceed \$50,000 (\$25,000 for married individual filing separately) for the costs incurred to retrofit a residence with one or more accessibility features not otherwise required by law. The amount of the credit may not exceed \$500 (\$250 for married individual filing separately). The bill provides for an income limitation phase-out beginning at FAGI of \$41,000. Any unused portion of the credit may be carried forward for up to five years.

The bill takes effect July 1, 2002 and applies to all taxable years beginning after December 31, 2001.

Fiscal Summary

State Effect: Potential general fund revenue decrease of up to \$100,000 in FY 2003. Future year decreases reflect limits established under the bill.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	(\$100,000)	(\$250,000)	(\$500,000)	(\$1,000,000)	(\$1,000,000)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$100,000)	(\$250,000)	(\$500,000)	(\$1,000,000)	(\$1,000,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None. The credit applies to the State income tax only.

Small Business Effect: None.

Analysis

Bill Summary: Individuals seeking the credit must apply to the Department of Housing and Community Development (DHCD) for approval by November 1 of the taxable year in which the credit is to be claimed. DHCD may not approve credits totaling more than: \$100,000 in tax year 2002; \$250,000 in tax year 2003; \$500,000 in tax year 2004; and \$1,000,000 in tax year 2005 and later. If total credit applications exceed the specified limit in any taxable year, DHCD must allocate the credits amongst the applicants in a specified manner. DHCD is required to notify applicants by December 15, of the taxable year of the amount of approved credit. Taxpayers are required to attach a copy of DHCD's approval certification with the taxpayer's income tax return for the year.

Accessibility features are defined as: (1) a no-step entrance allowing access into a residence; (2) interior passage doors providing a 32-inch wide clear opening; (3) reinforcements in bathroom walls and installation of grab bars around a toilet, tub, or shower; (4) light switches and outlets placed in wheelchair-accessible locations; and (5) universal design features or those accessibility features prescribed by DHCD.

Current Law: The Maryland income tax does not include an income tax credit for costs incurred to retrofit a residence with one or more accessibility features not otherwise required by law.

State Fiscal Effect: The actual cost of the bill cannot be reliably estimated and depends on the number of individuals claiming the credit, the amount of expenses incurred by each individual, and each individual's taxable income. However, because the bill caps the amount of credits that may be approved in any taxable year, the cost cannot exceed the amount specified for that year.

According to information from the Governor's Office for Individuals with Disabilities, approximately 31,700 non-institutionalized Maryland residents use a wheelchair. However, it is not known how many live in residences that would need any of the renovations described by the bill or how many individuals would choose to make additional renovations to their current residences. Expenses incurred over \$500 would qualify for the maximum \$500 credit, subject to the individual's FAGI as required under the bill.

The general fund revenue decrease in any fiscal year would be subject to the cap prescribed by the bill. The amount of the credit claimed by an individual would also be limited by the individual's FAGI.

DHCD indicates that general fund expenditures would increase by approximately \$30,230 in fiscal 2003 to hire 0.3 administrative officer to administer the tax credit.

The Department of Legislative Services advises that because it is not known how many individuals would claim the credit in any given taxable year, any costs incurred by DHCD to administer the credit can be absorbed with existing budgeted resources. If existing resources prove inadequate in future years, DHCD can request additional personnel through the annual budget process.

The Comptroller's Office indicates that computer programming charges for making changes to the SMART system and adding the credit to the 502CR form would be approximately \$42,400 in fiscal 2003. Legislative Services advises that because forms are updated each year, these costs could be absorbed with existing budgeted resources.

Additional Comments: The Commonwealth of Virginia has a similar tax credit. For tax year 2000, 39 individuals claimed the credit with a corresponding revenue decrease of \$18,390.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Housing and Community Development, Governor's Office (Office for Individuals with Disabilities), Department of Legislative Services

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Analysis by: Michael Sanelli

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510