HB 1498

Department of Legislative Services

Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 1498 (Delegate Rudolph, *et al.*)
Ways and Means

Income Tax Credit for Aging-in-Place Home Modifications

This bill creates a tax credit against the State income tax for the purchase of qualified accessibility features added to an existing house or contained in the purchase of a new single-family home for the purpose of preventing or delaying long-term medical care for the taxpayer, the taxpayer's spouse, or dependent. For the purchase of a new single-family home that contains all of the qualified accessibility features, the credit is equal to $1,000. Otherwise, the credit is equal for each accessibility feature purchased the lesser of $100 or the cost of the accessibility feature, subject to an annual maximum of $1,000. The tax credit cannot exceed the tax liability in the tax year, and any unused amount can be carried forward three tax years.

The bill takes effect July 1, 2006 and applies to tax year 2007 and beyond.

Fiscal Summary

State Effect: General fund revenues would decrease by approximately $6.8 million in FY 2008 due to credits being claimed against the personal income tax. General fund expenditures would increase by approximately $32,900 in FY 2008, which reflects one-time tax form changes and computer programming expenditures. Future years reflect additional individuals qualifying for the tax credits.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
GF Revenue	$0	($6,842,000)	($7,047,200)	($7,258,700)	($7,476,400)
GF Expenditure	0	32,900	0	0	0
Net Effect	$0	($6,874,900)	($7,047,200)	($7,258,700)	($7,476,400)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: No similar State tax credit exists.

State Revenues: Tax credits can be claimed beginning in tax year 2007. As a result, general fund revenues would decrease by approximately $6.8 million in fiscal 2008. This estimate is based on the following facts and assumptions:

- Approximately 6.9 million individuals in the United States age five and over had a physical disability and 6.7 million had a self-care disability. It is assumed that half of those with physical disabilities would need aging-in-place home modifications.
- Approximately 14% of U.S. individuals with disabilities received Medicaid benefits. It is assumed that these individuals do not have sufficient tax liability to claim a credit.
- The ratio of Marylanders with disabilities to Americans with disabilities is approximately 1.7%.
- Approximately 25% of individuals live in housing that already has qualifying accessibility features.
- The credit is claimed by 5% of remaining individuals with disabilities in each year.

Although the bill states the credit is for aging-in-place modifications, the bill does not require that taxpayers be of a minimum age to claim the credit. This estimate assumes that any modifications purchased for the purpose of preventing or delaying the need for long-term care would qualify for the credit regardless of the age of the individual for whom the modification was purchased.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of $32,850 in fiscal 2008 to add the credit to the personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

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