

PRELIMINARY STAFF MEASURE SUMMARY**CARRIER:**

Senate Committee on Human Services and Early Childhood

REVENUE: May have revenue impact, statement not yet issued**FISCAL: May have fiscal impact, statement not yet issued****SUBSEQUENT REFERRAL TO: Tax Credits****Action:****Vote:****Yeas:****Nays:****Exc.:****Prepared By:** Cheyenne Ross, Administrator**Meeting Dates:** 3/19**WHAT THE MEASURE DOES:** Extends additional personal exemption credit for severe disability from 2016 to 2022.**ISSUES DISCUSSED:****EFFECT OF COMMITTEE AMENDMENT:**

BACKGROUND: Individuals with certain defined severe disabilities are allowed an additional personal exemption credit against personal income taxes (up to two for qualifying joint filers). The purpose of the credit is likely to provide financial assistance or an offset against costs associated with the disability. The credit is indexed to inflation and was \$191 in 2014. The tax credit has grown steadily between 2005 and 2012: the number of claimants grew from 28,800 to 40,100, and the amount claimed grew from \$4.4 million to just over \$7.4 million.

Research on the use of tax expenditures related to disabilities makes a variety of arguments: that low utilization of the federal tax credit for the elderly or disabled indicates it should be repealed; that credits for the costs of in-home care are more beneficial to persons with disabilities; that a more equitable approach to structuring tax expenditures would be a focus on credits or deductions specifically for costs incurred due to a disability; that switching from non-refundable tax credits to refundable tax credits would more effectively meet the needs of the disabled; that income exclusions and deductions are most valuable to taxpayers with higher incomes; and that there is less stigma using the tax system to deliver a benefit, than using direct payment programs, but that the tax system lacks flexibility to meet the specific needs of disabled persons when compared to direct budget allocations. (*2016 Expiring Tax Credits*, Research Report No. 2-15, Legislative Revenue Office, February 2015.)

House Bill 2119 extends the additional personal exemption credit that is available to the severely disabled, from 2016 to 2022.