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: 3/3, 4/9

WHAT THE MEASURE DOES: Extends tax credit for elderly or permanently and totally disabled.

ISSUES DISCUSSED:
- Provisions of measure
- Whether a handful of small credits are the most efficient/effective for elderly; whether a more direct or simplified benefit would be more effective

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The tax credit for elderly or permanently disabled persons may be intended to provide financial assistance to lower income elderly or disabled individuals. Eligible taxpayers may claim both federal and state credits. The federal credit can be as much as $5,000 for single filers and $7,500 for joint filers. The amount of the state credit is 40 percent of the federal credit. This tax credit is currently claimed by fewer than 1,500 taxpayers each year and accounts for a total tax reduction that was about $20,000 in 2005 and grew to about $75,000 in 2012. The average tax reduction was roughly $55.

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variety of arguments: that low utilization of the federal tax credit for the elderly or disabled indicates it should be repealed; that credits for the costs of in-home care are more beneficial to persons with disabilities; that a more equitable approach to structuring tax expenditures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.)

Senate Bill 41 extends the sunset for the tax credit for elderly or permanently disabled from 2016 to 2022.