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To: Senator Mark Hass and Representative Phil Barnhart, Co-Chairs, Joint Committee on Tax Credits

From: Representative Alissa Keny-Guyer, Chair

Date: April 28, 2015

RE: House Bill 2119 A – Severe Disability Tax Credit

The House Committee on Human Services heard House Bill 2119 A, relating to the additional personal exemption credit for a taxpayer with a severe disability; creating new provisions; amending ORS 316.758 and section 42, chapter 913, Oregon Laws 2009; and prescribing an effective date, and recommends that the tax credit is continued as amended. The credit, which was first enacted in 1985, is intended to offset costs for individuals with sever disability, as defined. The measure was properly noticed and scheduled for a public hearing. Additionally, the Committee held a series of workgroup meetings that brought together stakeholders to discuss the costs and benefits of modifying this among other tax credits relating to physical or mental ability.

Below are responses to questions posed in Appendix D, on page 101 of the Legislative Revenue Office's Research Report No. 2-15, *2016 Expiring Tax Credits* (RR 2-15). The responses are based upon the report's findings, workgroup discussion, testimony and the deliberations of the House Human Services and Housing Committee.

- **What is the public policy purpose of this credit? Is there an expected timeline for achieving this goal?**

This credit allows an additional personal exemption credit (or two for joint filers) to provide financial relief or offset costs relating to severe disability. In this case a severe disability is defined as: the loss of use of one or more lower extremities; the loss of use of both hands; permanent blindness; or a physical or mental condition that limits the ability of a person to care for themselves or to earn a living.

- **Who (groups of individuals, types of organizations or businesses) directly benefits from this credit? Does this credit target a specific group? If so, is it effectively reaching this group?**

The exemption targets Oregonians with severe disability. The Office of Legislative Revenue reports that for the 2012 tax year, 40,100 households claimed this credit.

- **What is expected to happen if this credit fully sunsets? Could adequate results be achieved with a scaled down version of the credit? What would be the effect of reducing the credit by 50%?**

Sunset or reduction of this credit would increase the tax burden on Oregonians with severe disability who have claimed this credit.

- **What background information on the effectiveness of this type of credit is available from other states?**

According to the Legislative Revenue Office, other states have similar tax credits. Some states leverage the federal disabled tax credit in a manner similar to Oregon's tax credit.

- **Is use of a tax credit an effective and efficient way to achieve this policy goal? What are the administrative and compliance costs associated with this credit? Would a direct appropriation achieve the goal of this credit more efficiently?**

This tax credit helps offset costs relating to having a disability, but in some cases it may do so only nominally. It does not help low-income disabled Oregonians who don't have a tax liability, since the credit is not refundable. There are other direct appropriations that fund programs to support people with severe disabilities.

- **What other incentives (including state or local subsides, federal tax expenditures or subsidies) are available that attempt to achieve a similar policy goal?**

There is a federal tax credit for individuals with disabilities, and there are many programs that help these individuals.

- **Could this credit be modified to make it more effective and/or efficient? If so, how?**

The Committee has amended the bill by capping the allowable income for households (both single and joint filers) at $100,000.