

STAFF MEASURE SUMMARY

Senate Committee On Human Services and Early Childhood

Fiscal: No Fiscal Impact**Revenue:** Revenue impact issued**Action Date:** 04/09/15**Action:** Do Pass And Refer To Tax Credits By Prior Reference.**Meeting Dates:** 03/03, 04/09**Vote:**

Yeas: 5 - Dembrow, Gelser, Kruse, Monnes Anderson, Olsen

Prepared By: Cheyenne Ross, Committee Administrator**WHAT THE MEASURE DOES:**

Extends tax credit for elderly or permanently and totally disabled.

ISSUES DISCUSSED:

- Provisions of measure
- Effectiveness and efficiency of multiple, small credits for elderly; whether 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a variety of arguments: low utilization of the federal tax credit for the elderly or disabled indicates it should be repealed; credits for the cost of in-home care are more beneficial to persons with disabilities; a more equitable approach to structuring tax expenditures might be to focus on credits or deductions specifically for costs incurred due to a disability; switching from non-refundable tax credits to refundable tax credits would more effectively meet the needs of the disabled; income exclusions and deductions are most valuable to taxpayers with higher incomes; and, there is less stigma using the tax system to deliver a benefit, than using direct payment programs, but 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.