

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: 03/19, 04/09

Vote:

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

Prepared By: Cheyenne Ross, Committee Administrator

WHAT THE MEASURE DOES:

Extends additional personal exemption credit for severe disability.

ISSUES DISCUSSED:

- Provisions of measure

EFFECT OF COMMITTEE AMENDMENT:

No 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a variety of arguments: low utilization of the federal tax credit for the elderly or disabled indicates it should be repealed; credits for the cost of in-home care are more beneficial to persons with disabilities; a more equitable approach to structuring tax expenditures might be to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 when using the tax system to deliver a benefit, than when 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 43 extends the additional personal exemption credit that is available to the severely disabled, from 2016 to 2022.