Seventy-Eighth Oregon Legislative Assembly - 2015 Regular Session **MEASURE: HB 2122 A**

STAFF MEASURE SUMMARY

House Committee On Human Services and Housing

Fiscal: Fiscal impact issued
Revenue: Revenue impact issued

Action Date: 04/15/15
Action: Do Pass With Amendments, Be Printed Engrossed And Be Referred To Tax Credits By Prior Reference.
Meeting Dates: 03/06, 03/09, 04/13, 04/15
Vote:
Yeas: 9 - Buehler, Evans, Gallegos, Hayden, Keny-Guyer, Parrish, Piluso, Stark, Taylor
Prepared By: Robyn Johnson, Committee Administrator

WHAT THE MEASURE DOES:
Extends additional personal exemption tax credit for disabled child until2022. Caps adjusted gross income for households claiming the credit at $100,000. Applies section two to tax years beginning January 1, 2016. Takes effect 91st day following *sine die.*

ISSUES DISCUSSED:

- Number of Oregon households claiming the credit
- Medical costs for families of children with disabilities
- Definition of child with disability

EFFECT OF COMMITTEE AMENDMENT:
Caps adjusted gross income for households claiming the credit at $100,000. Enacts section two to tax years beginning January 1, 2016. Takes effect on the 91st day after adjournment *sine die.*

BACKGROUND:
Individuals and families may claim an additional personal exemption credit for each dependent child who meets a statutory definition of disabled. Most taxpayers are allowed one personal exemption credit and one exemption credit for each dependent; this credit is in addition to those. The additional credit is indexed to inflation and was $191 in 2014. The purpose of the credit is likely to provide financial assistance or some offset against associated costs. Use of the tax credit doubled between 2005 and 2012, from about $2.6 million to just over $5 million: the number of claimants grew from about 15,700 to 26,200.

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variety of arguments: that low utilization of the federal tax credit for the elderly or disabled indicates it should be repealed; that credits for the costs of in-home care are more beneficial to persons with disabilities; that a more equitable approach to structuring tax expenditures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 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 2122-A caps the adjusted gross income of households with a child with a disability claiming the additional personal exemption credit for same, at $100,000 and extends the credit from 2016 until 2022.