78th LEGISLATIVE ASSEMBLY
HOUSE COMMITTEE ON HUMAN SERVICES & HOUSING
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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 2122 A – Child with a Disability Tax Credit

The House Committee on Human Services heard House Bill 2122 A, relating to a tax credit for child with a disability; creating new provisions, and recommends that the tax credit is continued as amended. The credit, which was first enacted in 1985, is intended to offset costs for families with a dependent child that has a 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 disability.

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 exemption credit for each dependent child with a disability in order to provide financial relief or offset costs relating to the child's disability. Consistent with State Board of Education rules, a child with a disability is defined as "a dependent child who is eligible for early intervention services, or who is diagnosed for special education purposes as being autistic, mentally retarded, multi-disabled, visually impaired, hearing impaired, deaf-blind, orthopedically impaired, other health impaired, or as having serious emotional disturbance or traumatic brain injury."

- **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 households with dependent children with disability. The Office of Legislative Revenue reports that for the 2012 tax year, 1, 500 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 potentially increase the tax burden on households that include one or more dependent children with disability.

- **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.

- **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 one or more children with a disability by reducing the tax burden on these households, but may do so only nominally, as the credit is not refundable. A direct appropriation would not serve the purpose served by this credit, however there are other programs that help children with 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 dependent children with disabilities.

- **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 income for eligible households (both single and joint filers) at $100,000.