

PRELIMINARY STAFF MEASURE SUMMARY**CARRIER:**

Senate Committee on Human Services and Early Childhood

REVENUE: May have revenue impact, statement not yet issued**FISCAL: May have fiscal impact, statement not yet issued****SUBSEQUENT REFERRAL TO: Tax Credits****Action:****Vote:****Yeas:****Nays:****Exc.:****Prepared By:** Cheyenne Ross, Administrator**Meeting Dates:** 3/19, 4/9**WHAT THE MEASURE DOES:** Extends tax credit for child with disability.**ISSUES DISCUSSED:**

- Provisions of measure

EFFECT OF COMMITTEE AMENDMENT: No amendment.

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 for himself/herself, a spouse, and 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 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variety of arguments: that low utilization of the federal tax credit for the elderly or disabled indicates it should be repealed; that credits for the costs of in-home care are more beneficial to persons with disabilities; that a more equitable approach to structuring tax expenditures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 that 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 extends the tax credit available to persons for a child with a disability, from 2016 to 2022.