

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 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 is an additional credit. It is indexed to inflation and was \$191 in 2014. The purpose of the credit is likely to provide financial assistance or offset against costs associated with caring for a disabled child. Use of the tax credit doubled between 2005 and 2012, from about \$2.6 million to just over \$5 million, with the number of claimants growing from about 15,700 to 26,200.

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a variety of arguments: low utilization of the federal tax credit for the elderly or disabled indicates it should be repealed; credits for the cost of in-home care are more beneficial to persons with disabilities; a more equitable approach to structuring tax expenditures would be to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 40 extends the tax credit available to persons for a child with a disability, from 2016 to 2022.