

INCOME TAX CREDIT: ACCESSIBILITY HOME MODIFICATIONS

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House Bill 4417 as introduced
Sponsor: Rep. Sheldon A. Neeley
Committee: Tax Policy
Complete to 4-20-15

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4417 would amend the Income Tax Act to create a new refundable credit available to some individual taxpayers, beginning in tax year 2016. The new credit would reimburse a taxpayer for all or part of the "eligible costs" incurred in altering a principal residence to meet the accessibility needs of a permanent resident who is disabled. The credit would be capped at \$2,500 per tax year.

The bill specifically defines a principal residence as one that which qualifies for a principal residence exemption under Section 7cc of the General Property Tax Act (MCL 211.7cc). Essentially, this applies to owner-occupied homes. Persons with disabilities are defined as those with a "physical or mental impairment which substantially limits one or more of that person's major life activities that has lasted or can be expected to last for a continuous period of not less than 12 months."

The bill identifies "eligible costs" as those incurred by a taxpayer when making specific modifications to their principal residence. These modifications are:

- Constructing entrance or exit ramps
- Widening exterior or interior doorways
- Widening hallways
- Installing handrails or grab bars
- Moving electrical outlets or switches
- Installing stairway lifts
- Installing or modifying fire alarms, smoke detectors, and other alerting systems
- Modifying hardware of doors
- Modifying bathrooms

The credit is equal to 100% of eligible costs for taxpayers with a federal adjusted gross income (AGI) of \$30,000 or less for single filers, \$60,000 for joint filers.

For taxpayers with federal AGI between \$30,000 and \$60,000 (\$60,000 to \$120,000 for joint filers), the credit is equal to 50% of the eligible costs.

The credit is first applied against the taxpayer's income tax liability, and to the extent the credit exceeds that liability, the difference will be refunded to the taxpayer. The credit is capped at \$2,500 for all filers regardless of income or filing status.

The taxpayer must provide verification of the costs claimed in a manner prescribed by the Department of Treasury, and may not claim a credit against costs that have already been deducted from their federal AGI, or reimbursed or paid for from another source.

FISCAL IMPACT:

As written, the bill would reduce net individual income tax revenue. Any reduction will primarily impact the General Fund (GF). The impact in the initial year is likely to be larger than in subsequent years, as people who may have been unable to afford these improvements in the past find that the credit helps to make those changes affordable.

There are no publicly available data sets that directly identify the number of individuals with disabilities in Michigan, nor their particular tax situation. Additionally, there is no way to know how much of the \$2,500 available through the credit will be used by each of these individuals. Data from the US Census does indicate a 10,000 to 20,000 annual increase in persons with disabilities residing in Michigan. Along with additional assumptions regarding homeownership rates, income, and individuals' home modification needs, this range was used to provide an initial estimate of an annual cost of \$5 million to \$8.5 million. There is no data with which to estimate the impact on net individual income tax revenue in the first year the credit is available, but this amount is likely to be higher than the annual estimate.

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