



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE
110 WILLIAM STREET, 14TH FLOOR
NEW YORK, NEW YORK 10038

January 11, 2007

The Honorable Alan Gerson
250 Broadway, 18th Floor
New York, New York 10007

Dear Council Member Gerson:

In response to your request, IBO has analyzed the fiscal impact of implementing a tax abatement for the installation of grab bars as provided by A.9124, which was enacted into law this past July. This law allows the city to establish a property tax abatement for owners of multi-unit residential buildings who install grab bars in the bathrooms at the request of a tenant who is disabled or 60 years or older.

IBO estimates that if the value of the abatement reflects the actual cost of purchase and installation of grab bars, the cost to the city will be approximately \$6.6 million in each of the first two years the law is in effect and \$725,000 annually thereafter. If the threshold for eligibility were raised to 65, these costs would decline to \$5 million and \$500,000 respectively. It has been suggested the bill could also lead to health care savings for the city. While these savings are intrinsically hard to estimate, we believe it is unlikely that they would significantly offset the costs.

Cost of Implementation

For the purposes of A.9124, a senior citizen is defined as an individual who is at least 60 years old. The abatement is also limited to multi-family dwellings. Using data from the Housing and Vacancy Survey, IBO analyzed costs and eligibility for this bill and for versions with the age threshold set at 62 or 65. The results are shown in Table 1.

Table 1: Eligibility and Costs for Various Grab-Bar Tax Credits

Age Threshold	Eligible Households	Annual Cost, Initial Two Years	Annual Cost, Subsequent Years
60	440,000	\$6.6 million	\$725,000
62	390,000	\$5.9 million	\$600,000
65	330,000	\$5 million	\$500,000

The bill also covers disabled persons, but we excluded them from our analysis because with the data available, there is no way to identify those individuals with a disability for which grab bars would be helpful, and because we expect that many such individuals have installed grab bars or similar improvements already. Including them would not

significantly affect the analysis because the number of disabled persons is low compared with the number of seniors.

To estimate the number of eligible households that would actually request grab bars, we looked at the city's experience with the Senior Citizen Rent Increase Exemption program (SCRIE). Only about 40 percent of eligible seniors participate in this program. Given the low participation in SCRIE—despite years of education and outreach—even though reduced rent is beneficial to all qualifying tenants whereas some who are eligible to receive a grab bar installation will already have grab bars or not consider them necessary, we expect the take-up rate for the grab bar abatement to be substantially lower. Accordingly we assumed that 20 percent of eligible households will request grab bars.

The maximum abatements provided under the law range from \$250 to \$800, depending on installation requirements. We solicited cost figures from a number of agencies that install grab bars in the homes of seniors, all of which were considerably lower than the maximum abatements allowed by the law. Reports of total cost—purchase and installation—ranged from \$30 to \$150.¹ Since landlords would face no incentive to reduce costs under this program, we used the \$150 figure in our estimate.

Taking these factors together, we estimate that with 60 as the age threshold for eligibility, the abatement would result in an initial \$13.1 million cost to the city in lost property tax revenues, which would be spread over the first two years as the program ramps up. After that, annual costs would be approximately \$725,000, as new tenants become aware of and/or eligible for the program. With higher age thresholds, costs will be correspondingly lower. In any case, the real cost could turn out to be lower if installation costs or take-up rates are lower than expected, or higher if landlords take advantage of the maximums allowed under the law to claim abatements in excess of the cost of the grab bars. The risk of higher costs could be mitigated by reducing the abatement to more realistic levels, or by setting a maximum annual total and allocating abatements to landlords on a first-come, first-serve basis. Such an approach would be similar to the annual limit on available film tax credits.

Fiscal Benefits of Implementation

Offsetting the cost of lost property tax revenue is possible city savings in health care costs, as the bill is aimed at reducing the number of hospitalizations of seniors and the disabled resulting from accidental falls. Because falls frequently result in serious injuries among the elderly, the cost of treatment can be quite high. However, only a small portion of those costs are borne by the city and it is unclear how many falls grab bars will prevent in the absence of other interventions.

Because the abatement targets seniors and the disabled, the majority of any health care savings would go to Medicare. A completely federally funded health insurance program, Medicare covers Americans aged 65 and older, regardless of their income levels or previous medical history. A small fraction of the savings would also go to Medicaid,

¹ The \$150 figure is from the Metropolitan Council on Jewish Poverty, which installs grab bars as part of its home care program.

since about 3 percent of persons age 60 or older in New York are covered only by Medicaid. While Medicaid is funded in part by the city, the existence since 2006 of a cap on the total city share of Medicaid costs means that the city would not realize any savings from reduced spending through averted falls. We estimate that the state would save between \$350,000 and \$1.2 million in Medicaid expenditures, however.

The abatement could, however, generate savings for the Health and Hospitals Corporation (HHC), the municipal hospital system, if it reduces the number of hospitalizations resulting from falls among the uninsured. IBO estimates that approximately 37,000 seniors in New York City are uninsured and that approximately 200 of these individuals are hospitalized each year as a result of falls in the bathroom, with about half treated at HHC at an average cost of \$30,000. Studies of fall-prevention strategies among the elderly do not report consistent results for grab bar installation, so we cannot assert that that a large proportion of these falls would be prevented by the proposed abatement. If 10 percent of these falls were prevented through the installation of grab bars, HHC would save \$270,000 a year. If the presence of grab bars were to help prevent a greater percentage of these falls, the savings for HHC would be larger. It also is possible that by reducing the number of falls and injuries, the grab bar legislation would avert some city-funded costs in various programs serving seniors, although IBO cannot quantify the magnitude of such savings, if any.

If you have any further questions regarding this request, please do not hesitate to contact me at 212-442-8642 or Josh Mason, IBO's health policy analyst, at 212-442-8616.

Sincerely,

George V. Sweeting
Deputy Director