



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 443** HLS 23RS 771
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 7, 2023	11:59 AM	Author: EDMONDS
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Refundable Tax Credit for Taxpayer Adopting a Child		

TAX CREDITS EN -\$1,300,000 GF RV See Note Page 1 of 1
 Establishes a refundable individual income tax credit for certain adoptions

Proposed law authorizes a one-time refundable \$5,000 tax credit for a taxpayer who adopts a child under 3 years of age who is unrelated to the taxpayer, which shall be claimed in the year the adoption becomes final. Proposed law specifies that the credit shall be in lieu of any other deductions for adoptions, and shall not apply to adoptions from foster care.

Effective upon governor's signature, and applicable toward adoptions finalized on or after January 1, 2023. No credits may be claimed for any taxable year beginning after December 31, 2028.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	(\$6,500,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	(\$6,500,000)

EXPENDITURE EXPLANATION

LDR anticipates that implementation of proposed law will require additional expenditures for system modification, development and testing, and tax form modification. The change is estimated at \$53,000 of staff time.

REVENUE EXPLANATION

Proposed law would replace the one-time \$5,000 deductions for dependents that apply to the adoption of unrelated infants, foster children or recipients of extended foster care services with a one-time \$5,000 refundable credit that applies to all adoptions of unrelated children under 3 years of age, applicable to adoptions that are finalized on or after January 1, 2023. Credits exceeding the tax liability of the claimant will be refunded in the same manner as overpayments. The credit must be claimed in the year in which the adoption becomes final (presumably in the state) so is available only for new adoptions.

The deductions that are replaced by proposed law were enacted in 2021, thus utilization data is not yet available. Assuming an effective personal income tax rate of 4.25%, the deduction reduces liability by \$213 where the refundable credit reduces liability by \$5,000 for a net state general fund reduction of \$4,788 per eligible adoption.

LFO notes that although proposed law provides additional incentive for a taxpayer to adopt an unrelated child, it does not provide for requirements or resources that accelerate or shorten the adoption process, and no material impact on annual adoptions is anticipated due to proposed law. These figures imply a likely revenue impact of approximately \$6.9 million in a typical year, however the number of finalized adoptions will fluctuate over time, and may differ in any given year.

Federal data on adoptions in the state imply approximately 420 adoptions of children under 3 years of age in the state in a given year, with approximately 140 of the adoptions coming from foster care. These figures imply an annual revenue impact of approximately \$1.3 million due to proposed law, reflected in the table above.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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