

REVENUE: Revenue statement issued

FISCAL: Minimal fiscal impact; no statement issued

Action: Do pass as amended and be printed engrossed
Vote: 8-0-1
Yeas: Berger, Bruun, Butler, Gelser, Olson, Read, Witt, Barnhart
Nays:
Exc.: Rosenbaum
Prepared By: Chris Allanach, Economist
Meeting Dates: 3/14, 6/23

WHAT THE BILL DOES: Reinstates the tax credit for adoption expenses for tax years beginning on or after January 1, 2007 for taxpayers whose federal adjusted gross income is \$60,000 or less. Sunsets the credit on January 1, 2015.

ISSUES DISCUSSED:

- Value of credit, especially for low-income families
- Benefits of adoption

EFFECT OF COMMITTEE AMENDMENTS: Limits the credit to taxpayers whose federal adjusted gross income is \$60,000 or less. Sunsets the credit on January 1, 2015.

BACKGROUND: The credit is the lesser of the qualified adoption expenses paid or incurred during the tax year less the federal credit amount or the amount of the federal credit, but not to exceed \$1,500. The credit has a four-year carryforward. The credit was created by the 1999 Legislature and included a 6-year sunset provision (effective for tax years 2000 to 2005). During the 2005 session, SB 892 eliminated the sunset date but the bill was in committee on adjournment. No credit was allowed in tax year 2006.

In tax year 2005, roughly 615 filers were able to use a total of \$750,000 in credits (an average of roughly \$1,225 per return).

The federal credit was a maximum of \$10,960 in 2006 and phased-out for filers with a modified AGI of b/w \$164,410 to \$204,410. The maximum credit and phase-out range are indexed to inflation. Related to the credit is a federal exclusion for benefits from an employer-sponsored adoption assistance program. The exclusion in 2006 is also \$10,960, has the same phase-out range as the credit, and is also indexed to inflation. The credit has a five-year carry-forward. Both the credit and the exclusion are only available through tax year 2010. Beginning with tax year 2011, the only incentive will be the credit for the adoption of a child with special needs.

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This summary has not been adopted or officially endorsed by action of the committee.