

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2017 REGULAR SESSION**

**MEASURE**

2017 BR NUMBER 0839

HOUSE BILL NUMBER 295

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE An ACT relating to an adoption tax credit.**

**SPONSOR Representative Adkins**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT       NO IMPACT       INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:     STATE       LOCAL       FEDERAL

BUDGET UNIT(S) IMPACT: \_\_\_\_\_

FUND(S) IMPACT:  GENERAL  ROAD  FEDERAL  RESTRICTED AGENCY \_\_\_\_\_  OTHER

**FISCAL SUMMARY**

<b>FISCAL ESTIMATES</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>ANNUAL IMPACT AT FULL IMPLEMENTATION</b>
<b>REVENUES</b>			(\$1.2 million)
<b>EXPENDITURES</b>			
<b>NET EFFECT</b>			(\$1.2 million)

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** The stated purpose of this tax credit is to assist families wishing to adopt children with the costs associated with that adoption by providing a Kentucky income tax credit in an amount equal to 20 percent of the federal adoption tax credit.

**PROVISIONS/MECHANICS:** A new section of KRS Chapter 141 is created to allow the adoption tax credit for taxable years beginning on or after January 1, 2017, but before January 1, 2021. KRS 141.0205 is amended to place the new tax credit within the order of deducting all tax credits. Finally, various sections of KRS Chapters 131 and 141 are amended to consolidate the reporting requirements for the Department of Revenue.

**FISCAL EXPLANATION:** The federal Joint Committee on Taxation estimates that the federal adoption credit creates a tax expenditure of approximately \$600 million annually. In taxable year 2014, Kentucky's pro rata share of federal taxable income was slightly less than 1 percent. If 1 percent of the \$600 million total was allocated to Kentucky and then only 20 percent of the federal credit was allowed as a credit against Kentucky taxable income, the Kentucky adoption tax credit would create a negative impact to the general fund of approximately \$1.2 million in fiscal years 2018-2019 and thereafter, as long as the credit remained.

**DATA SOURCE(S): Statistics of Income-Historic Table 2 and Joint Committee on Taxation, JCX-20-14 Estimated Revenue Effects**

**PREPARER: Jennifer Hays NOTE NUMBER: 64 REVIEW: JRS DATE: 2/23/2017**