

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **0239**

HOUSE BILL NUMBER **459**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

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

SPONSOR **Representative R. 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

| FISCAL ESTIMATES | 2017-2018 | 2018-2019 | 2019-2020 | ANNUAL IMPACT AT FULL IMPLEMENTATION |
|-------------------------|------------------|------------------|------------------|---|
| REVENUES | | | (\$1,200,000) | (\$1,200,000) |
| EXPENDITURES | | | | |
| NET EFFECT | | | (\$1,200,000) | (\$1,200,000) |

() 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: Section 1 creates a new section of KRS Chapter 141 to allow the adoption tax credit for taxable years beginning on or after January 1, 2018, but before January 1, 2022.

Section 2 amends KRS 141.0205 to place the new tax credit within the order of deducting all tax credits.

Sections 3 through 9 make technical changes to various sections of KRS Chapters 131 and 141, consolidating the reports the Department of Revenue is required to submit to the Legislative Research Commission.

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 2019-2020 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: 132 REVIEW: JAB DATE: 3/9/2018