

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

1. **Patron** Anne Ferrell H. Tata

2. **Bill Number** HB 1962

3. **Committee** House Finance

House of Origin:
 Introduced
 Substitute
 Engrossed

4. **Title** Individual Income Tax: Nonfamily Adoption Tax Credit

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would establish a nonrefundable individual income tax credit for individuals and married couples who finalize a nonfamily adoption during the taxable year. The amount of the credit would be \$4,000 per adopted child. The bill would limit the aggregate amount of credits allowable to \$5 million per taxable year, with credits granted by the Department on a first-come, first-served basis.

This bill would become effective for taxable years beginning on and after January 1, 2025, but before January 1, 2030.

6. Budget amendment necessary: Yes.

Item(s): Page 1, Revenue Estimates
258 and 260, Department of Taxation

7. Fiscal Impact Estimates are: Preliminary. (See Line 8.)

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2025-26	\$ 355,890	1	GF
2026-27	\$ 118,300	1	GF
2027-28	\$ 88,800	1	GF
2028-29	\$ 88,800	1	GF
2029-30	\$ 88,800	1	GF

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2025-26	(\$5million)	GF
2026-27	(\$5 million)	GF
2027-28	(\$5 million)	GF
2028-29	(\$5 million)	GF
2029-30	(\$5 million)	GF

8. Fiscal implications:

Administrative Costs

The Department would incur estimated expenditures, as shown on Line 7a. Such costs would primarily consist of hiring one full-time employee and making system changes to capture and process the relevant information.

Revenue Impact

This bill would have an estimated negative General Fund revenue impact as shown on Line 7b. According to estimates produced by JLARC in their Fiscal Impact Review (2023) for 2023 House Bill 1553, a \$4,000 tax credit would cost approximately \$8 million if all nonfamily adoptions used the tax credit. Based on JLARC's estimate the Department assumes that the credits usage would meet the cap each year and result in a \$5 million negative General Fund revenue impact annually.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Proposal

This bill would establish a nonrefundable individual income tax credit for individuals and married couples who finalize a nonfamily adoption during the taxable year. The amount of the credit would be \$4,000 per adopted child. The bill would limit the aggregate amount of credits allowable to \$5 million per taxable year, with credits granted by the Department on a first-come, first-served basis.

This bill would define "nonfamily adoption" as an adoption of a child by a taxpayer who is not the father, mother, or stepparent of the child.

Taxpayers would be limited to tax one credit per qualifying adoption and would not be permitted to claim credits in excess of their income tax liability. Any unused portion of the credit could be carried over for up to three years.

The Department would be required to develop guidelines implementing the tax credit.

This bill would become effective for taxable years beginning on and after January 1, 2025, but before January 1, 2030.