

MEMORANDUM

OKLAHOMA TAX COMMISSION
TAX POLICY AND RESEARCH

DATE: April 1, 2013

SUBJECT: Senate Committee Amendment - HB 1919 Engrossed

TO: Rick Miller, Director

FROM: Michael C. Kaufmann, Tax Policy Analyst

The Senate Committee Amendment for HB 1919 (Engrossed) proposes to require taxpayers to have no kinship relationship¹ with foster children in order to be eligible for the proposed income tax deduction (\$2,500 for single persons / \$5,000 for taxpayers filing a joint return) for expenses relating to caring for foster children, effective for tax year 2014. The present version of the bill has no such restriction.

The original fiscal impact was based on the estimate that there are approximately 3,400 foster homes in Oklahoma². We have now learned there are 3,986 foster homes in Oklahoma³, with 1,432 being designated as non kinship. Assuming 3,986 foster homes, with a tax savings of \$150 for a \$5,000 deduction⁴, the original fiscal impact is revised to \$618,000.

It is expected that the no kinship amendment will limit those taxpayers eligible for the proposed deduction to 1,432. Assuming a tax savings of \$150 for a \$5,000 deduction, the fiscal impact of the Senate Committee Amendment would be a projected revenue decrease of \$222,000 annually. It is expected that there would be no change to withholding or estimated tax so the full impact will occur in FY15 when the 2014 returns are filed.

¹ Kinship relation" or "kinship relationship" means relatives, stepparents, or other responsible adults who have a bond or tie with a child and/or to whom has been ascribed a family relationship role with the child's parents or the child; 10A O.S. § 1-1-105(41)

² February 2012 Newsok article states that Oklahoma has about 3,400 foster homes

³ Telephone conversation with Kevin Haddock of Department of Human Services, 4/1/13

⁴ Assuming an average tax rate of 3.1% for a \$5,000 maximum deduction results in tax savings of \$155. This \$155 was reduced to \$150 to account for certain households that are not able to file as married filing joint.