

BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	SB 893
Version:	ENGR
Request Number:	NA
Author:	Rep. Worthen
Date:	3/29/2019
Impact:	Tax Commission:
	FY-20 Revenue Decrease: \$237,000

Research Analysis

Engrossed SB893 restores an income tax deduction for foster care expenses effective January 1, 2019. The deduction is limited to \$5000 per tax year, provided the taxpayer has been under contract to provide care to a foster child for at least 6 months. If the taxpayer has been providing care for a foster child for less than 6 months, then the deduction amount must be adjusted on a monthly pro rata share.

Prepared By: Quyen Do

Fiscal Analysis

Prior analysis provided by the Tax Commission:

The proposal reinstates the \$5,000.00 income tax deduction for taxpayers filing a joint return and \$2,500.00 for taxpayers filing as married filing separate. The deduction is available for taxpayers who contract with a child-placing agency, as defined in Section 402 of Title 10 of the Oklahoma Statutes, for expenses incurred to provide care for a foster child. This measure further requires that a taxpayer be under contract and provide a minimum of six (6) months of care regardless of the tax year during which the care occurred.² This measure also requires that if the care is provided for a time period of less than six (6) months, the deduction be prorated on a monthly basis.

Data from tax year 2016 indicates that 1,518 individual income tax returns claimed the deduction at an estimated tax expenditure of \$237,000.00. Assuming similar activity in tax year 2019, a potential decrease in income tax collections of \$237,000.00 for tax year 2019 is expected. No changes in withholding or estimated tax payments are anticipated. An estimated revenue decrease of \$237,000.00 is expected in FY20 when the 2019 income tax returns are filed.

² The application of the six (6) month rule in paragraph (1) could lead to confusion as to eligibility to claim the deduction.

Prepared By: Mark Tygret

Other Considerations

None.

