

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: January 21, 2022

BILL NUMBER: SB 1686 STATUS AND DATE OF BILL: Introduced 1/20/2022

AUTHORS: House NA Senate Stephens

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: New Law

SB 1686 proposes to enact a new, refundable income tax credit for 50% of qualified adoption-related costs to adoptive parents of a resident of this state or a child born to a resident of this state that results in the filing of a certificate of decree of adoption after January 1, 2023. Effective for tax year 2023 and subsequent years, a credit of up to \$5,000 may be claimed for each certificate of decree of adoption. Total credits used to offset tax are limited to \$5 million per year.

EFFECTIVE DATE: November 1, 2022

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: None.

FY 24: Estimated decrease in income tax revenues of \$3.18 million.

Jan. 25, 2022
DATE

Rick Miller
DIVISION DIRECTOR

bdf

1/26/2022
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/1/2022
DATE

[Signature]
FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT – SB 1686 [Introduced] Prepared 1/21/2022

SB 1686 proposes to enact a new, refundable income tax credit for 50% of adoption-related costs to adoptive parents of a resident of this state or a child born to a resident of this state that results in the filing of a certificate of decree of adoption after January 1, 2023. Adoption-related costs include relevant court fees, fees paid to adoption service agencies, prenatal and natal medical expenses of the biological mother pursuant to an adoption agreement, and costs for home study. Effective for tax year 2023 and subsequent years, a credit of up to \$5,000 may be claimed for each certificate of decree of adoption. The Oklahoma Tax Commission (OTC) may promulgate rules or prescribe forms to verify costs and taxpayer qualification for the credit.

Total credits used to offset tax are limited to \$5 million per year, and the OTC will annually calculate and publish a percentage by which the credits will be reduced so the total annual amount of credits used to offset tax does not exceed \$5 million. The formula used for the percentage adjustment is \$5 million divided by the credits claimed in the second preceding tax year.¹

For tax year 2019, 636 taxpayers claimed the existing annual income tax deduction for nonrecurring adoption expenses. It is unknown whether expenses claimed for tax year 2019 resulted in the filing of a certificate of decree of adoption for each deduction. Assuming similar activity for tax year 2023, the potential revenue impact is an estimated decrease in income tax revenue of approximately \$3.18 million for tax year 2023. The full impact would occur in FY 24 when the 2023 income tax returns are filed.

¹ Because the formula to be used for the percentage adjustment is \$5 million divided by the credits claimed in the second preceding tax year, the credit cap is not enforceable until tax year 2025.