

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 12, 2021

BILL NUMBER: SB 911 STATUS AND DATE OF BILL: Introduced 1/21/2021

AUTHORS: House n/a Senate Jett

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: New Law

SB 911 proposes to enact a new income tax credit for a licensed attorney that provides pro bono counsel to adoptive parents that results in the filing of a certificate of decree of adoption, as provided in 10 O.S. §7505-6.6, effective for tax year 2022 and subsequent tax years. The credit is 50% of a reasonable and necessary fee approved by the court, and any unused credit is refundable to the taxpayer.

EFFECTIVE DATE: November 1, 2021

REVENUE IMPACT:

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

FY 22: None.

FY 23: Unknown decrease in income tax collections.

Feb. 26, 2021

DATE

Rick Miller

DIVISION DIRECTOR

bdf

2/26/2021

DATE

Huan Gong

HUAN GONG, ECONOMIST

2/27/21

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 911 [Introduced] Prepared 2/12/2021

SB 911 proposes to enact a new income tax credit for a licensed attorney that provides pro bono counsel to adoptive parents that results in the filing of a certificate of decree of adoption, as provided in 10 O.S. §7505-6.6, effective for tax year 2022 and subsequent tax years. The credit is 50% of a reasonable and necessary fee approved by the court, and any unused credit is refundable to the taxpayer.

Currently, a resident individual taxpayer may deduct up to \$20,000 per calendar year for nonrecurring adoption expenses¹ paid in connection with the adoption of a minor or a proposed adoption of a minor that did not result in a decreed adoption. For tax year 2019, a deduction for qualified adoption expense was claimed on 625 income tax returns for a total deduction amount of approximately \$4 million. The number and amount of deductions claimed for a decreed adoption is unknown.

It is estimated that any increase in income tax collections resulting from reduced deductions for adoption expenses would be exceeded by credits claimed for pro bono legal counsel. As a result, the expected revenue impact of this proposal is an unknown net decrease in income tax collections for tax year 2022, which would be expected in FY 23 when the 2022 income tax returns are filed.

¹ “Nonrecurring adoption expenses” means adoption fees, court costs, medical expenses, attorney fees and expenses that are directly related to the legal process of adoption of a child including, but not limited to, costs relating to the adoption study, health and psychological examinations, transportation and reasonable costs of lodging and food for the child or adoptive parents that are incurred to complete the adoption process and are not reimbursed by other sources.