

# DEPARTMENT OF TAXATION

## 2023 Fiscal Impact Statement

1. **Patron** Emily M. Brewer

3. **Committee** House Finance

4. **Title** Nonfamily Adoption Tax Credit

2. **Bill Number** HB 1553

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would create a nonrefundable individual income tax credit for individuals and married couples that finalize a nonfamily adoption during the taxable year. The amount of the credit would be \$4,000 per adopted child.

This bill would be effective for taxable years beginning on and after January 1, 2023, but before January 1, 2028.

### 6. **Budget amendment necessary:** Yes.

Item(s): Page 1, Revenue Estimates

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

#### 7b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2023-24	(\$10.0 million)	GF
2024-25	(\$10.0 million)	GF
2025-26	(\$10.1 million)	GF
2026-27	(\$10.1 million)	GF
2027-28	(\$10.2 million)	GF
2028-29	(\$10.2 million)	GF

### 8. **Fiscal implications:**

#### Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine and does not require additional funding.

#### Revenue Impact

This bill would have an estimated negative General Fund revenue impact of \$10 million in Fiscal Years 2024 and 2025, \$10.1 million in Fiscal Years 2026 and 2027, and \$10.2 million in Fiscal Years 2028 and 2029. According to the Children's Bureau of the U.S. Department

of Health and Human Services, there were 2,452 children adopted in Virginia in 2019. Based on population growth projections and statistics on utilization of the federal adoption tax credit, it is assumed that approximately 2,500 adoptions will occur in the relevant taxable years.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary:** No.

**11. Other comments:**

Sunset Dates for New Income Tax Credits and Sales Tax Exemptions

Section 3-5.14 of the 2022 Appropriation Act provides that any new sales tax exemption or tax credit enacted by the General Assembly after the 2019 Session, but prior to the 2024 Session, must have a sunset date of not later than June 30, 2025.

Proposed Legislation

This bill would create a nonrefundable individual income tax credit for individuals and married couples that finalize a nonfamily adoption during the taxable year. The amount of the credit would be \$4,000 per adopted child. 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 not be permitted to claim credits in excess of their income tax liability for the taxable year. Any unusable portion of the credit would be permitted to be carried forward by the taxpayer for up to three years or until the total credit amount is taken, whichever is sooner.

The Department would be required to develop guidelines, exempt from the provisions of the Administrative Process Act, implementing the tax credit. This bill would be effective for taxable years beginning on and after January 1, 2023, but before January 1, 2028.

Similar Legislation

**House Bill 1500** would establish a nonrefundable individual income tax credit for finalizing adoptions in an amount up to \$10,000.

cc : Secretary of Finance

Date: 1/26/2023 JLOF  
HB1553F161