

DEPARTMENT OF TAXATION

2024 Fiscal Impact Statement

1. **Patron** Emily M. Jordan

3. **Committee** Senate Finance and Appropriations

4. **Title** Individual Income Tax; Nonfamily Adoption
Tax Credit

2. **Bill Number** SB 310

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would establish 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, 2024, but before January 1, 2029.

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

Item(s): Page 1, Revenue Estimates

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

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2024-25	(\$7.9 million)	GF
2025-26	(\$8.2 million)	GF
2026-27	(\$8.6 million)	GF
2027-28	(\$9.0 million)	GF
2028-29	(\$9.3 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 \$7.9 million in Fiscal Year 2025, \$8.2 million in Fiscal Year 2026, \$8.6 million in Fiscal Year 2027, \$9.0 million in Fiscal Year 2028, and \$9.3 million in Fiscal Year 2029. Based on data from the National Council for Adoption, there were 2,461 average annual domestic adoptions in

Virginia between 2019 and 2020, of which 64.6 percent were non-family adoptions. Based on data from the Children's Bureau of the U.S. Department of Health and Human Services regarding Virginia adoption trends over a ten-year period, an average annual growth rate of four percent is assumed.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes. As written the credit is unclear as to when the three-year rollover period begins. If the intent of the patron is that the rollover period would begin in the taxable year following the taxable year in which the nonfamily adoption is finalized, the Department recommends the following technical amendment.

Lines 23 to 24, after "which the"
Strike: *eligible expenditure occurred*
Insert: *nonfamily adoption was finalized*

11. Other comments:

Proposed Legislation

This bill would establish 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 implementing the tax credit.

This bill would be effective for taxable years beginning on and after January 1, 2024, but before January 1, 2029.

Similar Legislation

House Bill 810 is identical to this bill.

House Bill 396 would establish a deduction for the birth of a dependent household member.

cc : Secretary of Finance

Date: 1/19/2024 JLOF
SB310F161