

SESSION OF 2006

SUPPLEMENTAL NOTE ON SENATE BILL NO. 465

As Amended by House Committee on Taxation

Brief*

SB 465, as amended, would enhance the current Kansas income tax credit for certain qualified adoption expenses beginning in tax year 2006. Current law sets the Kansas credit at 25 percent of the federal adoption income tax credit. The bill would increase the state credit to 50 percent of the federal credit for adoptions of children who are Kansas residents; and to 75 percent of the federal credit for adoptions of "special-needs" children who are Kansas residents.

The bill also would eliminate a restriction that currently prohibits taxpayers from carrying forward unused portions of adoption income tax credits for more than five years.

Finally, the bill would create a task force to promote adoption. The 11-member task force would be appointed as follows: eight members appointed by House and Senate leadership of which two would be from the public and six from the Legislature; and three appointed by the Governor. Forty-five days would be allowed for appointment of members after the effective date of the act. The task force would be charged with providing statewide policy recommendations encouraging adoption. The task force would be required to conduct an analysis of adoption in Kansas based upon specific questions dealing with tax credits and issues involved in decisions of birth parents when faced with unintended pregnancy. The task force would be required to submit a final report to the Legislature and to the Governor by February 15, 2007.

Background

Proponents included Senator Laura Kelly, Representative Ed O'Malley, the Kansas Catholic Conference, and the Kansas Children's Service League.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

After extensive discussion, the Senate Assessment and Taxation Committee amended the bill to tie the “third-tier” credit level to the definition of “special needs” used in federal law. That definition generally applies to children the state has determined cannot or should not be returned to the parental home; and to children for whom a determination has been made with respect to a specific factor or condition (such as ethnicity, age, or membership in a minority or sibling group, or the presence of factors such as medical conditions or physical, mental, or emotional handicaps) making it reasonable to conclude that adoption assistance is necessary.

The Senate Committee also amended the bill to remove the limitation on the maximum number of years that the tax credits may be carried forward.

The Department of Revenue stated that removal of the limitation on carrying the credits forward would be expected to increase the original fiscal note by about \$0.1 million – from \$0.36 million to \$0.46 million.

The House Committee amended the bill to incorporate the provisions of HB 2374 regarding the adoption task force.