



[HF 369](#) – Adoption Tax Credit (LSB1354HV)
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Fiscal Note Version – New

Description

[House File 369](#) increases the maximum amount of the existing [Adoption Tax Credit](#) in two steps, to \$7,500 beginning on January 1, 2022 (TY 2022), and to \$10,000 for TY 2023 and after. The existing credit maximum is \$5,000 per qualified adoption. The tax credit is refundable.

Assumptions

- The Adoption Tax Credit is based on the amount of unreimbursed adoption expenses paid by the taxpayer as part of a qualified adoption and is claimed through the filing of Iowa tax form [IA 177](#).
- The credit may only be claimed after a qualified adoption becomes final.
- The credit limit applies per adoption (as opposed to per taxpayer or per household).
- Expenses used to calculate the credit may not also be used in the calculation of Iowa's itemized deduction for adoption expenses.
- For TY 2019, 270 households claimed the credit for a total of \$814,000 (\$3,000 per adopting household).
- Adoption costs as reported on the credit tax forms filed for TY 2019 are assumed to be the adoption costs in future years.
- The number and cost of adoptions are both assumed to remain constant. This means that for this fiscal impact calculation, the increased tax credit amount is not projected to increase the number of qualified adoptions in a year and will also not result in an increase in adoption expenses.
- The Department of Revenue utilized the individual income tax micromodel to calculate the tax reduction associated with the increases in the maximum amount of the credit. The fiscal impact was determined by comparing model results of tax liability under current law versus tax liability under the Bill.
- The tax reduction associated with the changes to the tax credit is assumed to occur when tax returns are filed (decreased final tax payments and increased tax refunds).
- Because the tax credit is refundable, the calculation of the income surtax for schools is not affected by the proposed increase in the credit.

Fiscal Impact

The proposed increases in the maximum amount of the refundable Adoption Tax Credit are projected to reduce net General Fund revenue by \$310,000 in FY 2023 and \$625,000 in FY 2024 and after.

Source

Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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