

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Am. S.B. 20** DATE: **May 22, 2007**
STATUS: **As Enacted – Effective August 30, 2007** SPONSOR: **Sen. Clancy**
LOCAL IMPACT STATEMENT REQUIRED: **Yes**
CONTENTS: **Increases the adoption tax credit from \$500 to \$1,500**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
General Revenue Fund			
Revenues	Up to \$3.0 million loss	Up to \$3.0 million loss	Up to \$3.0 million loss
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

- The increase in the adoption tax credit from \$500 to \$1,500, for tax years starting on or after January 1, 2007, is estimated to reduce personal income tax revenue by \$3.3 million starting in FY 2008.
- The GRF revenue loss is calculated on the basis of the current Revised Code formula for distributing income tax revenue. The GRF receives 89.5% of the personal income tax revenue.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Local Government Funds (LLGSF, LGF, and LGRAF)			
Revenues	Up to \$350,200 loss	Up to \$351,240 loss	Up to \$350,000 loss
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The increase in the adoption tax credit from \$500 to \$1,500 is estimated to reduce personal income tax revenue by \$3.3 million.
- The losses to the local government funds are calculated on the basis of the current Revised Code formula for distributing income tax revenue. The Library and Local Government Support Fund (LLGSF) receives 5.7%, the Local Government Fund (LGF) receives 4.2%, and the Local Government Revenue Assistance Fund (LGRAF) receives 0.6% of income tax revenue.

Detailed Fiscal Analysis

The bill proposes to increase the income tax credit for adoption, which is nonrefundable, from the current level of \$500 to \$1,500 for each minor child under age 18 legally adopted by a taxpayer during taxable years beginning on or after January 1, 2007. The taxpayer may carry forward any unused credit over a period of three years.¹ The tax credit does not apply to the adoption of a minor child by a stepparent.

The number of public adoptions in Ohio was 2,015 in 2005 and it was expected to reach 1,976 in 2006, as reported by the Ohio Department of Job and Family Services. The number of adoptions in Ohio shows some decrease due to fewer children waiting to be adopted. There were 2,643 children waiting to be adopted at the start of federal fiscal year 2006 as compared to 2,937 in 2005 and 3,139 in 2004 (source: Adoption Performance Report, May 2006 Department of Job and Family Services).

Due to the above trend, LSC has assumed a minimal growth rate at 0.3% in the number of adoptions for its projections. This growth is equal to the general population growth rate estimated at 0.3% for Ohio (Global Insight, January 2007 release). The number of private adoptions was assumed to be 20% of the number of public adoptions and was added to the total number of eligible adoptions.

Based on these assumptions, the total number of adoptions was projected and a tax credit of \$1,500 was applied, assuming that all these families take full advantage of the credit. To these results an adjustment was applied to account for the difference between the calculated tax credit for 2004 and the actual tax credit claimed during that year. The loss in income tax revenue is estimated to be approximately \$3.35 million in 2008, and \$3.37 million in 2009. General Revenue Fund revenue, at the Revised Code percentage 89.5% of personal income tax revenue, is estimated to decrease by approximately \$2.98 million in 2008 and \$2.99 million in 2009.

Impact on local governments

Based on the current Revised Code percentages for revenue distribution, the Library and Local Government Support Fund (5.7%), Local Government Fund (4.2%), and Local Government Revenue Assistance Fund (0.6%) are estimated to have a combined loss of revenue of \$350,190 in FY 2008 and \$351,240 in FY 2009.

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¹ If a taxpayer's tax liability is less than \$1,500 the excess of tax credit over tax liability may be carried forward and applied against the next year's tax liability.