

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Ma, et al. Analyst: Jahna Alvarado Bill Number: AB 47  
 Related Bills: See Prior Analysis Telephone: 845-5683 Amended Date: April 20, 2009  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Child Adoption Costs Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED

December 1, 2008, STILL APPLIES.

OTHER – See comments below.

**SUMMARY**

This bill would increase the nonrefundable child adoption credit for adoptions of certain California foster children to a maximum of \$5,000 for the specified period.

**SUMMARY OF AMENDMENTS**

This bill as introduced on December 1, 2008, and amended on March 5, 2009, would allow a nonrefundable credit for adoptions of certain California foster children as specified.

The April 20, 2009, amendments added language that would do the following:

- Change the specified beginning operative date from taxable years beginning on or after January 1, 2009 to taxable years beginning on or after January 1, 2010.
- Define the terms “group home” and “residential treatment facility.”
- Add several co-authors.

Except for the “This Bill,” “Economic Impact,” and “Implementation Considerations” discussion, the remainder of the department’s analysis of the bill as introduced December 1, 2008, still applies.

Board Position:	Asst. Legislative Director	Date
<input type="checkbox"/> S <input type="checkbox"/> NA <input type="checkbox"/> NP <input type="checkbox"/> SA <input type="checkbox"/> O <input type="checkbox"/> NAR <input type="checkbox"/> N <input type="checkbox"/> OUA <input checked="" type="checkbox"/> PENDING	Patrice Gau Johnson	05/26/09

## POSITION

Pending.

## ANALYSIS

### THIS BILL

This bill would increase the maximum allowable personal income tax credit for costs to adopt certain minor children from \$2,500 to \$5,000 for the specified period.

This bill would provide a maximum credit of \$5,000 for adopting a minor child who meets one or both of the following requirements:

- Is over the age of 12 years at the time of the adoption, or
- Is living in a group home or residential treatment facility for a period of a minimum of 6 months of the 18 month period prior to the adoption date.

This bill would define the terms “group home” and “residential treatment facility.”

The increased maximum credit would apply to taxable years beginning on or after January 1, 2010, and before January 1, 2015.

The existing child adoption credit would be restored for taxable years beginning on or after January 1, 2015.

### IMPLEMENTATION CONSIDERATIONS

The department has identified the following implementation concern. Department staff is available to work with the author’s office to resolve this concern and other concerns that may be identified.

The April 20, 2009 amendments would define the terms “group home” and “residential treatment facility.” Department staff does not have expertise in this area. Typically, credits involving areas for which the department lacks expertise are certified by another agency or agencies that possess the relevant expertise. In this case, the Department of Social Services (DSS) is the agency responsible for licensing “community care facilities.”<sup>1</sup> “Community care facilities” includes “group home” and “residential treatment facility” licensing. If it is the author’s intent for the increased credit to be allowed for adoptions of children residing in a facility licensed as a “group home” or “residential treatment facility” by the DSS, the author may wish to amend this bill to specify that intent.

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<sup>1</sup> California Health and Safety Code section 1530.

## ECONOMIC IMPACT

### Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of AB 47 Amended 04/20/09 Effective for tax years BOA January 1, 2010 Enactment Assumed After 6/30/09		
2009-10	2010-11	2011-12
No Impact	-\$45,000	-\$45,000

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

### Revenue Discussion

The April 20, 2009, amendments change the operative date of this bill from January 1, 2009, to January 1, 2010.

The revenue impact of this bill would be limited to adoptions of foster children who have been living in specified facilities, are over the age of 12, or both living in a specified facility and over the age of 12, and where adoption costs exceed \$5,000 in qualified costs. Current law allows a credit of 50 percent of qualified costs up to \$2,500. A 2004 study of the federal child welfare information gateway indicates costs of adopting a child from the public foster care range from \$0 - \$2,500.<sup>2</sup> Therefore, it is likely that few adoptions will exceed \$5,000 in costs.

For the 2003-2006 taxable years, applied adoption credits averaged \$2 million annually and were reported on approximately 1,700 tax returns. If 5 percent of these taxpayers, or 85 (1,700 taxpayers x 5%) incur costs up to \$7,000, the taxpayer would be entitled to claim an additional credit of \$1,000 [(\$7,000 - \$5,000) X 50%] increasing total adoption credits generated by \$85,000 per year (85 X \$1,000). Currently, an applied adoption credit reduces tax liability, on average, by \$1,182. Of the total increased adoption credits generated of \$85,000 per calendar year, it is assumed that only half, \$42,500, would be applied to reduce a tax liability. Of the half applied, it is assumed these credits are applied in the year generated. This amount has been fiscalized to arrive at the revenue estimates presented.

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<sup>2</sup> [http://www.childwelfare.gov/pubs/s\\_cost/s\\_cost.cfm](http://www.childwelfare.gov/pubs/s_cost/s_cost.cfm)