

Representative Rex P. Shipp proposes the following substitute bill:

ADOPTION TAX CREDIT

2020 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Rex P. Shipp

Senate Sponsor: Deidre M. Henderson

LONG TITLE

General Description:

This bill enacts an individual income tax credit for adoption expenses.

Highlighted Provisions:

This bill:

- ▶ defines terms;
 - ▶ enacts a nonrefundable and a refundable individual income tax credit for adoption expenses for which eligibility depends on the individual's income;
 - ▶ provides for apportionment of the tax credit for adoption expenses;
 - ▶ requires the Department of Workforce Services to certify certain information about an individual's qualification for an adoption expense tax credit and to share that information with the State Tax Commission;
 - ▶ repeals an individual income tax credit for adoption of a child with special needs;
- and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.



26 **Utah Code Sections Affected:**

27 AMENDS:

28 **59-10-137**, as last amended by Laws of Utah 2019, Chapters 247 and 465

29 **59-10-1002.2**, as last amended by Laws of Utah 2016, Chapter 263

30 **62A-4a-607**, as last amended by Laws of Utah 2017, Chapter 148

31 ENACTS:

32 **35A-1-111**, Utah Code Annotated 1953

33 **59-10-1041**, Utah Code Annotated 1953

34 **59-10-1102.1**, Utah Code Annotated 1953

35 **59-10-1113**, Utah Code Annotated 1953

36 REPEALS:

37 **59-10-1104**, as last amended by Laws of Utah 2013, Chapter 414



39 *Be it enacted by the Legislature of the state of Utah:*

40 Section 1. Section **35A-1-111** is enacted to read:

41 **35A-1-111. Certification for adoption tax credit.**

42 (1) An individual who seeks to claim a tax credit under Section **59-10-1041** or
43 **59-10-1113** shall apply to the department for a certification that the individual did not receive
44 any state or federal assistance described in Subsections **59-10-1041**(1)(e)(ii)(A), (B), (C), (D),
45 or (E).

46 (2) The department shall issue the certification on a form prescribed by the State Tax
47 Commission.

48 (3) The department shall provide the State Tax Commission with an electronic report
49 stating the name and identifying information of each individual to whom the department issued
50 a certification under Subsection (1).

51 Section 2. Section **59-10-137** is amended to read:

52 **59-10-137. Review of credits allowed under this chapter.**

53 (1) As used in this section, "committee" means the Revenue and Taxation Interim
54 Committee.

55 (2) (a) The committee shall review the tax credits described in this chapter as provided
56 in Subsection (3) and make recommendations concerning whether the tax credits should be

57 continued, modified, or repealed.

58 (b) In conducting the review required under Subsection (2)(a), the committee shall:

59 (i) schedule time on at least one committee agenda to conduct the review;

60 (ii) invite state agencies, individuals, and organizations concerned with the tax credit
61 under review to provide testimony;

62 (iii) (A) invite the Governor's Office of Economic Development to present a summary
63 and analysis of the information for each tax credit regarding which the Governor's Office of
64 Economic Development is required to make a report under this chapter; and

65 (B) invite the Office of the Legislative Fiscal Analyst to present a summary and
66 analysis of the information for each tax credit regarding which the Office of the Legislative
67 Fiscal Analyst is required to make a report under this chapter;

68 (iv) ensure that the committee's recommendations described in this section include an
69 evaluation of:

70 (A) the cost of the tax credit to the state;

71 (B) the purpose and effectiveness of the tax credit; and

72 (C) the extent to which the state benefits from the tax credit; and

73 (v) undertake other review efforts as determined by the committee chairs or as
74 otherwise required by law.

75 (3) (a) On or before November 30, 2017, and every three years after 2017, the
76 committee shall conduct the review required under Subsection (2) of the tax credits allowed
77 under the following sections:

78 (i) Section 59-10-1004;

79 (ii) Section 59-10-1010;

80 (iii) Section 59-10-1015;

81 (iv) Section 59-10-1025;

82 (v) Section 59-10-1027;

83 (vi) Section 59-10-1031;

84 (vii) Section 59-10-1032;

85 (viii) Section 59-10-1035;

86 [~~(ix) Section 59-10-1104;~~]

87 [~~(x)~~ (ix) Section 59-10-1105; and

88 [~~(xi)~~] (x) Section 59-10-1108.

89 (b) On or before November 30, 2018, and every three years after 2018, the committee
90 shall conduct the review required under Subsection (2) of the tax credits allowed under the
91 following sections:

- 92 (i) Section 59-10-1005;
- 93 (ii) Section 59-10-1006;
- 94 (iii) Section 59-10-1012;
- 95 (iv) Section 59-10-1022;
- 96 (v) Section 59-10-1023;
- 97 (vi) Section 59-10-1028;
- 98 (vii) Section 59-10-1034;
- 99 (viii) Section 59-10-1037;
- 100 (ix) Section 59-10-1107; and
- 101 (x) Section 59-10-1112.

102 (c) On or before November 30, 2019, and every three years after 2019, the committee
103 shall conduct the review required under Subsection (2) of the tax credits allowed under the
104 following sections:

- 105 (i) Section 59-10-1007;
- 106 (ii) Section 59-10-1014;
- 107 (iii) Section 59-10-1017;
- 108 (iv) Section 59-10-1018;
- 109 (v) Section 59-10-1019;
- 110 (vi) Section 59-10-1024;
- 111 (vii) Section 59-10-1029;
- 112 (viii) Section 59-10-1033;
- 113 (ix) Section 59-10-1036;
- 114 (x) Section 59-10-1106; and
- 115 (xi) Section 59-10-1111.

116 (d) (i) In addition to the reviews described in this Subsection (3), the committee shall
117 conduct a review of a tax credit described in this chapter that is enacted on or after January 1,
118 2017.

119 (ii) The committee shall complete a review described in this Subsection (3)(d) three
120 years after the effective date of the tax credit and every three years after the initial review date.

121 Section 3. Section **59-10-1002.2** is amended to read:

122 **59-10-1002.2. Apportionment of tax credits.**

123 (1) A nonresident individual or a part-year resident individual [~~that~~] who claims a tax
124 credit in accordance with Section [59-10-1017](#), [59-10-1018](#), [59-10-1019](#), [59-10-1022](#),
125 [59-10-1023](#), [59-10-1024](#), [~~or~~] [59-10-1028](#), or [59-10-1041](#) may only claim an apportioned
126 amount of the tax credit equal to:

127 (a) for a nonresident individual, the product of:

128 (i) the state income tax percentage for the nonresident individual; and

129 (ii) the amount of the tax credit that the nonresident individual would have been
130 allowed to claim but for the apportionment requirements of this section; or

131 (b) for a part-year resident individual, the product of:

132 (i) the state income tax percentage for the part-year resident individual; and

133 (ii) the amount of the tax credit that the part-year resident individual would have been
134 allowed to claim but for the apportionment requirements of this section.

135 (2) A nonresident estate or trust that claims a tax credit in accordance with Section
136 [59-10-1017](#), [59-10-1020](#), [59-10-1022](#), [59-10-1024](#), or [59-10-1028](#) may only claim an
137 apportioned amount of the tax credit equal to the product of:

138 (a) the state income tax percentage for the nonresident estate or trust; and

139 (b) the amount of the tax credit that the nonresident estate or trust would have been
140 allowed to claim but for the apportionment requirements of this section.

141 Section 4. Section **59-10-1041** is enacted to read:

142 **59-10-1041. Nonrefundable adoption tax credit.**

143 (1) As used in this section:

144 (a) "Adoption expense" means a reasonable and necessary adoption fee, court cost,
145 attorney fee, or other expense that is:

146 (i) directly related to, and for the primary purpose of, adoption of a qualifying child
147 through a domestic adoption;

148 (ii) not incurred in violation of federal or state law or in carrying out any surrogate
149 parenting arrangement; and

- 150 (iii) not paid or reimbursed by an employer or state assistance program.
- 151 (b) "Domestic adoption" means an adoption of a child who is a United States citizen or
152 a resident of the United States or its possessions before the adoption effort begins.
- 153 (c) (i) "Qualifying child" means an individual who is:
- 154 (A) under the age of 18; or
- 155 (B) physically or mentally incapable of caring for himself or herself.
- 156 (ii) "Qualifying child" does not include an individual who is a child of the claimant's
157 spouse.
- 158 (d) "Qualifying claimant" means a claimant:
- 159 (i) whose adjusted gross income is:
- 160 (A) for a claimant who files a federal income tax return jointly with the claimant's
161 spouse, \$50,000 or more but less than \$100,000; or
- 162 (B) for a claimant who files a federal income tax return other than jointly, \$25,000 or
163 more but less than \$50,000;
- 164 (ii) who did not, and if the claimant is married, whose spouse did not, receive state or
165 federal assistance during the taxable year for which the claimant is claiming a tax credit under
166 this section; and
- 167 (iii) who applies for and receives a certification described in Section [35A-1-111](#) from
168 the Department of Workforce Services.
- 169 (e) (i) "State or federal assistance" means public funds that are:
- 170 (A) expended for the benefit of an individual in need of financial, medical, food,
171 housing, or related assistance;
- 172 (B) means-tested; and
- 173 (C) provided by a state or federal government.
- 174 (ii) "State or federal assistance" includes:
- 175 (A) the Medicaid program, as defined in Section [26-18-2](#);
- 176 (B) the Employment Support Act described in Title 35A, Chapter 3, Employment
177 Support Act;
- 178 (C) the Children's Health Insurance Program created in Title 26, Chapter 40, Utah
179 Children's Health Insurance Act;
- 180 (D) the Special Supplemental Nutrition Program for Women, Infants, and Children,

181 established in 42 U.S.C. Sec. 1786;

182 (E) the Women, Infants, and Children Program established in 42 U.S.C. Sec. 1786;

183 (F) the federal Social Security Act; and

184 (G) housing assistance.

185 (iii) "State or federal assistance" does not include an income tax credit, subtraction, or
186 deduction.

187 (2) Except as provided in Section 59-10-1002.2, a qualifying claimant may claim, in
188 the taxable year in which the adoption is finalized, a nonrefundable tax credit equal to the
189 amount of the qualifying claimant's adoption expenses.

190 (3) A qualifying claimant may carry forward, to the next five taxable years, the amount
191 of any tax credit that exceeds the qualifying claimant's tax liability for the taxable year.

192 (4) A qualifying claimant may not claim a credit under this section to the extent that
193 the qualifying claimant claims a federal tax credit under 26 U.S.C. Sec. 23 for the same
194 adoption expense.

195 (5) A qualifying claimant who is married may claim a tax credit under this section only
196 if the qualifying claimant and the qualifying claimant's spouse file a joint federal income tax
197 return.

198 Section 5. Section **59-10-1102.1** is enacted to read:

199 **59-10-1102.1. Apportionment of tax credit.**

200 (1) A nonresident individual or a part-year resident individual who claims the tax credit
201 described in Section 59-10-1113 may only claim an apportioned amount of the tax credit equal
202 to the product of:

203 (a) the state income tax percentage for the nonresident individual or the state income
204 tax percentage for the part-year resident individual; and

205 (b) the amount of the tax credit that the nonresident individual or the part-year resident
206 individual would have been allowed to claim but for the apportionment requirement of this
207 section.

208 Section 6. Section **59-10-1113** is enacted to read:

209 **59-10-1113. Refundable adoption income tax credit.**

210 (1) As used in this section:

211 (a) "Adoption expense" means a reasonable and necessary adoption fee, court cost,

212 attorney fee, or other expense that is:

213 (i) directly related to, and for the primary purpose of, adoption of a qualifying child
214 through a domestic adoption;

215 (ii) not incurred in violation of federal or state law or in carrying out a surrogate
216 parenting arrangement; and

217 (iii) not paid or reimbursed by an employer or state assistance program.

218 (b) "Domestic adoption" means an adoption of a child who is a United States citizen or
219 a resident of the United States or its possessions before the adoption effort begins.

220 (c) (i) "Qualifying child" means an individual who is:

221 (A) under the age of 18; or

222 (B) physically or mentally incapable of caring for himself or herself.

223 (ii) "Qualifying child" does not include an individual who is a child of the claimant's
224 spouse.

225 (d) "Qualifying claimant" means a claimant:

226 (i) whose adjusted gross income is:

227 (A) for a claimant who files a federal income tax return jointly with the claimant's
228 spouse, less than \$50,000; or

229 (B) for a claimant who files a federal income tax return other than jointly, less than
230 \$25,000;

231 (ii) who did not, and if the claimant is married, whose spouse did not, receive state or
232 federal assistance during the taxable year for which the claimant is claiming a tax credit under
233 this section; and

234 (iii) who applies for and receives a certification described in Section [35A-1-111](#) from
235 the Department of Workforce Services.

236 (e) "State or federal assistance" means the same as that term is defined in Section
237 [59-10-1041](#).

238 (2) (a) Subject to the other provisions of this Subsection (2), once an adoption is
239 finalized, a qualifying claimant is eligible to claim a refundable tax credit equal to the amount
240 of the qualifying claimant's adoption expenses.

241 (b) (i) A qualifying claimant may first claim the tax credit described in Subsection
242 (2)(a) for the taxable year in which the adoption is finalized.

243 (ii) The amount of the tax credit for the taxable year in which the adoption is finalized
244 is limited to \$10,000.

245 (c) A qualifying claimant may claim an additional \$10,000 tax credit each taxable year
246 after the taxable year in which the adoption is finalized until the earlier of:

247 (i) the qualifying claimant has claimed the amount of the tax credit described in
248 Subsection (2)(a); or

249 (ii) the fourth taxable year after the qualifying claimant first claimed the tax credit
250 described in Subsection (2)(a).

251 (d) The provisions of Section [59-10-1102.1](#) apply to a nonresident individual or
252 part-year resident individual.

253 (3) A qualifying claimant may not claim a credit under this section to the extent that
254 the qualifying claimant claims a federal tax credit under 26 U.S.C. Sec. 23 for the same
255 adoption expense.

256 (4) A qualifying claimant who is married may claim a tax credit under this section only
257 if the qualifying claimant and the qualifying claimant's spouse file a joint federal income tax
258 return.

259 Section 7. Section **62A-4a-607** is amended to read:

260 **62A-4a-607. Promotion of adoption -- Agency notice to potential adoptive**
261 **parents.**

262 (1) (a) The division and all child-placing agencies licensed under this part shall
263 promote adoption when that is a possible and appropriate alternative for a child. Specifically,
264 in accordance with Section [62A-4a-205.6](#), the division shall actively promote the adoption of
265 all children in ~~[its]~~ the division's custody who have a final plan for termination of parental
266 rights pursuant to Section [78A-6-314](#) or a primary permanency plan of adoption.

267 (b) ~~[Beginning May 1, 2000, the]~~ The division may not place a child for adoption,
268 either temporarily or permanently, with any individual or individuals who do not qualify for
269 adoptive placement pursuant to the requirements of Sections [78B-6-117](#), [78B-6-102](#), and
270 [78B-6-137](#).

271 (2) The division shall obtain or conduct research of prior adoptive families to
272 determine what families may do to be successful with their adoptive children and shall make
273 this research available to potential adoptive parents.

274 (3) (a) A child-placing agency licensed under this part shall inform each potential
275 adoptive parent with whom [it] the child-placing agency is working that:
276 (i) children in the custody of the state are available for adoption;
277 (ii) Medicaid coverage for medical, dental, and mental health services may be available
278 for these children;
279 (iii) tax benefits, including the tax credit provided for in Section [59-10-1104]
280 59-10-1041 or 59-10-1113, and financial assistance may be available to defray the costs of
281 adopting these children;
282 (iv) training and ongoing support may be available to the adoptive parents of these
283 children; and
284 (v) information about individual children may be obtained by contacting the division's
285 offices or [its] the division's Internet site as explained by the child-placing agency.
286 (b) A child-placing agency shall:
287 (i) provide the notice required by Subsection (3)(a) at the earliest possible opportunity;
288 and
289 (ii) simultaneously distribute a copy of the pamphlet prepared by the division in
290 accordance with Subsection (3)(d).
291 (c) As a condition of licensure, the child-placing agency shall certify to the Office of
292 Licensing at the time of license renewal that it has complied with the provisions of this section.
293 (d) [~~Before July 1, 2000, the~~] The division shall:
294 (i) prepare a pamphlet that explains the information that is required by Subsection
295 (3)(a); and
296 (ii) regularly distribute copies of the pamphlet described in Subsection (3)(d)(i) to
297 child-placing agencies.
298 (e) The division shall respond to any inquiry made as a result of the notice provided in
299 Subsection (3)(a).

300 **Section 8. Repealer.**

301 This bill repeals:

302 Section **59-10-1104, Tax credit for adoption of a child who has a special need.**

303 **Section 9. Retrospective operation.**

304 This bill has retrospective operation for a taxable year beginning on or after January 1,

305 2020.