LEGISLATIVE SERVICES AGENCY

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FISCAL IMPACT STATEMENT

LS 7034
BILL NUMBER: SB 209

NOTE PREPARED: Jan 26, 2021
BILL AMENDED: Jan 26, 2021

SUBJECT: Foster Care Program Tax Credit.

FIRST AUTHOR: Sen. Doriot
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill provides a tax credit for a taxpayer that makes a monetary contribution to a qualifying foster care organization. It defines a "qualifying foster care organization" as an organization that (1) is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; (2) provides foster care prevention services and programs or direct assistance to individuals in the foster care system; (3) spends at least 50% of its available revenue on qualified services to Indiana residents; (4) affirms it will continue spending at least 50% of its available revenue on qualified services to Indiana residents; and (5) provides ongoing qualified services to at least 200 Indiana residents.

The bill provides that the Department of State Revenue (DOR) shall grant a tax credit against any state tax liability due equal to 50% of the amount of the monetary contribution by a person to a qualifying foster care organization. It provides that the tax credit that a taxpayer receives may not exceed $100,000 for any taxable year. It also provides that the amount of tax credits allowed may not exceed $2 M in the state fiscal year.

The bill provides that to claim a tax credit an application must be filed with the DOR. It provides that the DOR shall promptly notify an applicant whether, or the extent to which, the tax credit is allowable in the state fiscal year in which the application is filed. The bill provides that when the total credits approved equal the maximum amount allowable in any state fiscal year, no application thereafter filed for that fiscal year shall be approved.

Effective Date: July 1, 2021.

Explanation of State Expenditures: *Department of State Revenue (DOR)*: The DOR will incur additional expenses to revise tax forms, instructions, and computer programs. The bill stipulates that taxpayers must submit applications for the credit to the DOR, and that the DOR must notify applicants of their approval for a credit within thirty days. The DOR may also approve a credit application in whole or in part with respect to the upcoming state fiscal year. While these procedures represent and increase in workload, the DOR's current level of resources should be sufficient to implement the new tax credit.

Explanation of State Revenues: The bill establishes a tax credit for taxpayers who make an eligible contribution to a qualifying foster care organization during the taxable year. The credit is effective beginning in fiscal year 2022, and the amount of the credit is equal to 50% of the amount of the contribution make to the foster care organization, up to $100,000.

The revenue impact would begin in FY 2022, and the provision may decrease Individual Income Tax, Corporate Income Tax, and Financial Institutions Tax revenue deposited in the state General Fund. The bill caps the total amount of credits that may be awarded in a state fiscal year, so while the revenue impact is currently indeterminable and will depend on the amount of contributions made, the annual state revenue loss cannot exceed $2 M. The tax credit is nonrefundable and may not be carried back or carried forward to succeeding taxable years.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources:

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