

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1842H.02C  
Bill No.: HCS for HB Nos. 1012 & 1376  
Subject: Adoption; Family Law; Tax Credits  
Type: Original  
Date: April 2, 2025

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Bill Summary: This proposal establishes the "Zero-Cost Adoption Fund Act" which establishes a fund to offset costs associated with adoption and a tax credit for any person who contributes to the fund.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
General Revenue*	\$0	\$0 to Could Exceed (\$25,172,951)	\$0 to Could Exceed (\$25,647,330)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 to Could Exceed (\$25,172,951)</b>	<b>\$0 to Could Exceed (\$25,647,330)</b>

\*Oversight reflects costs for \$25 million tax credit adjusted annually by CPI in Section §135.315, \$453.650 money transfers to the Zero-Cost Adoption Fund, DOR (1) FTE, and STO (1) FTE. Oversight notes the proposal allows the annual cap (starts at \$25 million) to grow each year by the consumer price index for All Urban Consumers for the Midwest Region – until it reaches \$75 million. **Assuming a 2% annual growth, the cap would reach the \$75 million mark in approximately 2081.**

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
"Zero-Cost Adoption Fund"*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Distributions and transfers net to zero.  
Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
General Revenue - DOR	0	Up to 1 FTE	Up to 1 FTE
General Revenue - STO	0	Up to 1 FTE	Up to 1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>Up to 2 FTE</b>	<b>Up to 2 FTE</b>

- ☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 135.315 – Zero-Cost Adoption Fund Act

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this section would grant taxpayers a tax credit for donations made to the newly created (Section 453.650) “Zero Cost Adoption Fund”. B&P notes that while the tax credit will begin tax year 2026, it will not be taken until taxpayers file their annual income tax returns in FY27.

The tax credit is non-refundable, cannot be sold, transferred, or otherwise conveyed, and cannot exceed 50% of a taxpayer’s tax liability in a given tax year. The tax credit may be carried forward for up to four years.

For tax year 2026, the cumulative amount of tax credit that may be authorized is \$25 million. Beginning in 2026, the tax credit shall be annually adjusted by inflation (CPI-U Midwest). B&P notes that this proposal says “adjusted” and not “increased”; therefore, if the inflation rate decreases (deflation), the cap on this program will also decrease. The cap shall no longer be adjusted for inflation once it has reached \$75 million per year.

Assuming 2% annual inflation, B&P estimates the following authorization limits:

Table 1: Estimated Cap by Year

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Est. Cap</u>
TY 2026	FY 2027	\$25,000,000
TY 2027	FY 2028	\$25,500,000
TY 2028	FY 2029	\$26,010,000
TY 2029	FY 2030	\$26,530,200
TY 20xx	FY 20xx	\$75,000,000

*\*Assumes 2% annual inflation.*

Therefore, B&P estimates that this proposal could reduce TSR and GR by up to \$25 million in FY27. By FY30, this proposal could reduce TSR and GR by \$26.5 million. Once fully implemented, this proposal could reduce TSR and GR by \$75 million annually.

Officials from the **Department of Revenue (DOR)** assume starting January 1, 2026, this proposal creates a new tax credit program and a new state fund. This proposal will allow a qualified taxpayer to claim a tax credit equal to 100% of a contribution made to the fund. This

proposal does not clearly identify which fund these contributions are to be made to in order to get the credit.

The tax credit is to be certified by the State Treasurer and is not to exceed 50% of a taxpayer's state liability in the year the credit is claimed. The credit is not transferrable, sellable or refundable. The credit can be carried forward four years. DOR assumes that the State Treasurer is to certify the contribution amount made and the issuance of a tax credit certificate.

This proposal says that the cumulative amount of credits shall not exceed \$25 million in the first year. The cap shall be annually adjusted by the CPI until reaching \$75 million, where the cap will remain. Additionally, this proposal states that the credits are to be issued on a first-come, first-serve basis according to rules established by the Department. However, this proposal does not identify which Department is to handle the credits. DOR assumes that since the State Treasurer is to certify the credits, they will keep track of the cap and not distribute more credits than allowed under the cap.

DOR notes that this become effective on January 1, 2026, and the first time the credit can be claimed on the tax return would be January 2027 (FY 2027). DOR uses a 2% inflation rate when calculating the fiscal notes. This will result in the following impact.

Fiscal Year	Loss to General Revenue
2026	\$0
2027	(\$25,000,000)
2028	(\$25,500,000)
2029	(\$26,010,000)

\*Increasing to \$75 million in future years

This proposal creates a new tax credit that would require a new line being added to the Form MO-TC (\$2,200), updates to our website and changes to our individual income tax computer system (\$1,832). These changes are estimated to cost \$4,032. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed we are not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of \$37,020.

**Oversight** notes that officials from DOR and B&P both assume costs to the program will exceed \$25,000,000 due to the CPI annual adjustment until it reaches \$75 million. Therefore, **Oversight** will reflect the costs as estimated by DOR and B&P beginning FY 2027 and CPI adjustments in FY 2028.

Additionally, officials from the **DOR** assuming the need for (1) FTE at \$37,020 annually. Therefore, **Oversight** will reflect the (1) FTE costs effective FY 2027.

Officials from the **Office of the State Treasurer (STO)** assume Section 4 requires STO to certify tax credits. Section 5 makes it unclear who “The department” refers to. Section 6 & 7 also require the STO to implement some of the procedures for the tax credits.

In response to the similar version of the bill, HCS for HB 2547 – 2024, the **STO** added the amount of the tax credit claimed shall not exceed fifty percent of the qualified taxpayer's state tax liability for the tax year for which the credit is claimed. The state treasurer shall certify the tax credit amount to the qualified taxpayer. A qualified taxpayer may carry the credit forward to any of such taxpayer's four subsequent tax years. All tax credits authorized under this section shall not be transferred, sold, assigned, or otherwise conveyed, and are not refundable.

The state treasurer shall provide a standardized format for a receipt to be issued to a qualified taxpayer to indicate the value of a qualifying contribution received. The department of revenue shall require a qualified taxpayer to provide a copy of this receipt if claiming the tax credit authorized by this section.

The state treasurer and the department of revenue shall promulgate all necessary rules and regulations for the administration of this section including, but not limited to, rules relating to the verification of a taxpayer's qualifying contribution.

In addition, STO states they do not have access to tax credit information. If the wording does not get changed, then there would be financial impact, as it would require additional processes be put in place. The financial impact is unknown. The STO may require an FTE.

**Oversight** notes the STO assumes the need for up to 1 FTE, Processing Clerk at \$42,000 annually. Therefore, Oversight will reflect the STO estimated impact in the fiscal note effective FY 2027.

**Oversight** assumes this proposal creates the Zero-Cost Adoption Fund. For simplicity, Oversight assumes all funds will be utilized in the year in which they were received.

#### Section 453.650 – Establishment of Zero-Cost Adoption Fund

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this section would create a new fund within the state treasury. The fund shall be administered by DSS. Monies in the fund shall come from appropriations and/or donations. Upon appropriation monies in the fund shall be used for various foster care and adoption programs. This section will not impact TSR.

Officials from the **Department of Revenue (DOR)** assume this proposal creates a new state fund called the Zero-Cost Adoption Fund that is to receive money appropriated by the general assembly and any gifts, bequests and donations. This proposal states how the money in this fund

can be spent. This proposal allows DSS to create rules on the uses of the funding. DOR assumes no impact from the creation of the fund.

**Oversight** will reflect a donation from general revenues, bequest, and donations range from a zero (no donation was appropriated into the fund) Unknown amount (donation was appropriated from the general revenues) in to the Zero Cost Adoption Fund in FY 2027 and thereafter.

Officials from the **Department of Social Services** assume the proposal will have no fiscal impact on their organization.

**Oversight** notes the proposal, §453.650. 1 denotes the Department of Social Services may promulgate all necessary rules and regulations for the administration of this section.

**Oversight** notes the DSS, via additional conversations through e-mail in response to the similar proposal, HCS for HB 2547 – 2024, stated it was able to absorb the impact with existing staff.

**Oversight** assumes DSS is provided with core funding to handle a certain amount of activity each year. Oversight assumes DSS could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DSS could request funding through the appropriation process.

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight assumes it can absorb the cost with the current budget authority.

#### Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE</b>			
<u>Costs – §135.315 – DOR "Zero-Cost Adoption Fund Act"</u>		Up to...	Up to...
Personnel Service	\$0	(\$37,760)	(\$38,516)
Fringe Benefits	\$0	(\$30,926)	(\$31,229)
Expense & Equipment	\$0	(\$13,463)	(\$582)
<u>Total Costs – DOR p.4-5</u>	\$0	(\$82,149)	(\$70,327)
FTE Change	0 FTE	Up to 1 FTE	Up to 1 FTE
<u>Loss - §135.315.5 (1) - "Zero-Cost Adoption Fund Act" tax credits and CPI adjustment in FY 2028 p.5</u>	\$0	\$0 to (\$25,000,000)	\$0 to (\$25,500,000)
<u>Transfer - Out – 453.650.1 Any appropriations from General Revenue to the "Zero-Cost Adoption Fund" p.6</u>	\$0	\$0 to (Unknown)	\$0 to (Unknown)
<u>Costs - §135.315. 4 to 7 – STO – Implementation of various provisions of the - "Zero-Cost Adoption Fund Act" p.5</u>		Up to...	Up to...
Personnel Service	\$0	(\$42,840)	(\$43,697)
Fringe Benefits	\$0	(\$32,962)	(\$33,306)
Expense & Equipment	\$0	(\$15,000)	(\$0)
<u>Total Costs – STO p.4</u>	\$0	(\$90,802)	(\$77,003)
FTE Change	0 FTE	Up to 1 FTE	Up to 1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0 to Could Exceed (\$25,172,951)</u></b>	<b><u>\$0 to Could Exceed (\$25,647,330)</u></b>
Estimated Net FTE Change on General Revenue	0 FTE	Up to 2 FTE	Up to 2 FTE

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>ZERO COST ADOPTION FUND</b>			
<u>Transfer-In</u> – §453.650.1 - "Zero-Cost Adoption Fund" – General Assembly	\$0	\$0 to Unknown	\$0 to Unknown
<u>Revenue Gain</u> - §453.650.1 - "Zero-Cost Adoption Fund" – gifts, grants, donation, & bequests p.5	\$0	\$0 to 25,000,000	\$0 to 25,500,000
<u>Costs</u> - §453.650.4 – various adoption related services	\$0	\$0 to Could Exceed (25,000,000)	\$0 to Could Exceed (25,500,000)
<b>ESTIMATED NET EFFECT ON ZERO COST ADAPTION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

\* Oversight assumes all funds will be utilized in the year in which they were received.

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

#### FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal.

#### FISCAL DESCRIPTION

This bill establishes a fund and an accompanying tax credit known as the "Zero-Cost Adoption Fund Act".

There is created in the State Treasury the "Zero-Cost Adoption Fund", which will be administered by the Department of Social Services and of which moneys must be used, in the order of descending priority, to:

- (1) Support Missouri residents in paying for nonrecurring adoption expenses;
- (2) Provide post-adoption assistance;



- (3) Promote adoption and recruit potential adoptive families;
- (4) Support community-based intervention methods to prevent children from entering foster care;  
and
- (5) Award grants to implement adoption-sensitive care services in health care settings.

For all years beginning on or after January 1, 2026, a qualified taxpayer, as defined in the bill, is allowed to claim a tax credit against his or her state tax liability in an amount equal to 100% of his or her qualifying contribution to the Zero-Cost Adoption Fund established under the provisions of this bill.

The amount of the credit that is claimed cannot exceed 50% of the qualified taxpayer's state tax liability for the tax year for which the credit is claimed. Additionally, the tax credits authorized under the provisions of this bill cannot be transferred, sold, assigned, or otherwise conveyed, and are not refundable.

The cumulative amount of tax credits that can be allocated to qualified taxpayers in the first year of this program cannot exceed \$25 million, and the amount will be annually adjusted by the Department of Revenue for inflation; the annual increase will stop when the cumulative amount of tax credits that can be allocated reaches \$75 million.


The bill additionally outlines responsibilities of the Department, including rulemaking, reallocating unused tax credits, and establishing a procedure that ensures the cumulative amount of tax credits that can be allocated under the program will be allowed on a first-come, first-served basis from the beginning of the calendar year until August 1.

This Act sunsets on December 31st, six years after the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Office of Administration – Budget & Planning  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of the State Treasurer  
Oversight Division  
Department of Social Services



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