



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2003 Senate Bill 408

**Senate Substitute
Amendment 1 and Senate
Amendment 1 to Senate
Substitute Amendment 1**

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Senate Substitute Amendment 1 to 2003 Senate Bill 408 relates to creating an income tax credit for adoption expenses.

Current law

Under current state law, an adoptive parent may deduct from federal adjusted gross income (AGI) up to \$5,000 in expenses for adoption fees, and related court costs and legal fees, that are expended during a year and in the preceding two years.

Under current federal law, there is a nonrefundable adoption expenses tax credit. Up to \$10,000 of adoption expenses may be credited against the federal tax imposed. If adoption expenses are paid or incurred during a taxable year before the year when the adoption is finalized, the credit is allowed in the year following the year in which the expenses are paid or incurred. If the expenses are paid or incurred during or after the year when the adoption is finalized, the credit may be claimed in the year the adoption expenses are paid or incurred.

In addition, if the amount of credit for which the person is eligible exceeds the amount of taxes owed, the excess amount of credit may be carried forward for five years.

Senate Bill 408

The bill creates a \$5,000 adoption expenses credit for qualified adoption expenses, to the extent that those expenses exceed the amount of the credit for which a claimant is eligible and claims under the federal credit in the year to which the claim relates. This credit is nonrefundable, and the unused balance of the credit may be carried forward for up to five years.

This credit applies to taxable years beginning on January 1, 2004.

Senate Substitute Amendment 1

Senate Substitute Amendment 1 contains the same provisions as the bill, except that it ends the current state tax deduction for adoption expenses for taxable years beginning on January 1, 2005, and makes the newly created income tax credit for adoption expenses (which is identical to the credit in the bill) first applicable for taxable years beginning January 1, 2005.

Senate Amendment 1

Senate Amendment 1 ends the current state tax deduction for adoption expenses for taxable years beginning on January 1, 2006, and makes the newly created income tax credit for adoption expenses first applicable for taxable years beginning January 1, 2006.

Legislative History

2003 Senate Bill 408 was introduced on January 27, 2004 by Senator Reynolds. Senate Substitute Amendment 1 was introduced on February 10, 2004 by Senator Reynolds. The Senate Committee on Health, Children, Families, Aging and Long-Term Care recommended adoption of Senate Substitute Amendment 1 on February 17, 2004 by a vote of Ayes, 9; Noes, 0, and recommended passage of the bill, as amended, by a vote of Ayes, 5; Noes, 4, on the same date.

The bill was referred to the Joint Committee on Finance on March 9, 2004. The committee introduced and recommended adoption of Senate Amendment 1 to Senate Substitute Amendment 1; recommended adoption of Senate Substitute Amendment 1, as amended; and recommended passage of the bill, as amended, all by votes of Ayes, 16; Noes, 0.

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