

**FISCAL NOTE  
PRIVATE COST**

- I. Department Title: Department of Revenue  
Division Title: Director of Revenue  
Chapter Title: Income Tax**

<b>Rule Number and Title:</b>	12 CSR 10-2.725 Foster Parent Tax Deduction
<b>Type of Rulemaking:</b>	Proposed Rule

**II. SUMMARY OF FISCAL IMPACT**

Estimate of the number of entities by class which would likely be affected by the adoption of the rule:	Classification by types of the business entities which would likely be affected:	Estimate in the aggregate as to the cost of compliance with the rule by the affected entities:
<b>6,338</b>	<b>Foster parent households</b>	<b>\$1,180,699 to \$1,355,513 savings to the households in the aggregate (about \$247.50 individually)</b>

**III. WORKSHEET**

**IV. ASSUMPTIONS**

H 429 (2021) created the foster care deduction which allows a foster parent of a child from more than six (6) months to claim a deduction for expenses incurred for providing care. A lower proportional deduction amount was allowed for kids placed fewer than six months. The deduction cannot exceed \$5,000 per taxpayer filing as a singles or those filing as married filing combined and \$2,500 for those filing married filing separate. Based on information provided by the Department of Social Services there were 13,875 kids in foster care, in 6,338 homes.

A tax deduction is not a reduction of tax on a dollar for dollar basis but on a proportional basis based on the individual income tax rate. Therefore at the time SB 509 (2014) set the tax rate at 5.4% and it was scheduled to reduce to 4.8%. However, SB 3 (2022) set the tax rate at 4.95% for tax year 2023 and set up revenue triggers to reduce the tax rate to 4.5% eventually.

Since this proposal allows for different deduction amounts, we calculated the number of household by filing type.

Foster Homes	Number
Number Fosters < 6 months	1,881
Number Fosters > 6 months	4,457

We then calculated the impact as the 4,457 households received \$5,000 for a claim of \$22,285,000 and we assumed 1,881 households would claim a partial deduction from 1 month to 5 months totaling \$1,567,500 to \$7,837,500.

Applying the new appropriate tax rate, we note this will result in a loss to general revenue from the deduction. However, that same amount is the financial savings to the taxpayers.

Tax Rate	4.95%	4.8%	4.7%	4.6%	4.50%
Low Estimate	\$1,180,699	\$1,144,920	\$1,121,068	\$1,097,215	\$1,073,363
High Estimate	\$1,491,064	\$1,445,880	\$1,415,758	\$1,385,635	\$1,355,513

If a household receives the full \$5,000 deduction it would result in a savings to them of approximately \$247.50.