**Testimony on HB 1001**

*House Committee on Ways & Means*

*Tuesday, July 26, 2022*

*Andy Nielsen, Indiana Community Action Poverty Institute*

* Thank you, Chair Brown and members of the Committee.
* My name is Andy Nielsen, and I am the senior policy analyst at the Indiana Community Action Poverty Institute.
* We are a program of the Indiana Community Action Association, which is a statewide organization representing the 22 Community Action Agencies that work tirelessly to address community needs and fight poverty in all 92 Indiana counties.
* Thank you for the opportunity to testify today on HB 1001.
* First, regarding the additional taxpayer refund. We are concerned on the effective delivery of this refund to taxpayers, especially Hoosiers who need it the most.
* Recent reports that roughly only half of eligible Hoosiers have received refunds from earlier this year, demonstrate this may not be the most efficient delivery of support. However, we appreciate the attempt to provide a more streamlined approach.
* HB 1001 would also make a number of larger changes to individual incomes taxes in our state.
  + Increases dependent, child deduction from $1,500 to $1,600
    - This amount would double to $3,200 in the year of birth or adoption
  + Creates a new $3,000 income tax deduction for an adopted child.
  + Increases the maximum state adoption tax credit from $1,000 to $2,500 or 20% of the federal credit.
    - Maintains the credit’s nonrefundable status lesser of federal or state credit.
* Together, this package of deductions and credits, creates a complicated scenario, that would primarily benefit higher-income Hoosiers.
* Taken together, to realize the full tax benefit of these changes, a single Hoosier adopting a child would need to earn $84,600 ($84,599.38).
* Any income below this threshold, and the taxpayer does not have enough tax liability to utilize all of the benefits.
* This would also hit older Hoosiers who are choosing to adopt who may rely solely on Social Security benefits that are not taxed in Indiana.
* In total, these changes would offset more child rearing and/or adoption costs for higher-earners.
* We encourage the committee to create a stronger, fairer, and more equitable tax code, such as through a streamlined adoption credit, child tax credit, and other refundable credits.
* Again, I appreciate the opportunity to testify on this bill today.
* And I am happy to answer any questions.
* Thank you.