



I N D I A N A
COMMUNITY ACTION
POVERTY INSTITUTE

Research and Public Policy

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Senate Appropriations Budget Testimony

Thank you, Chairman Mishler and members of the committee.

I deeply appreciate the opportunity for public testimony on the budget today. My name is Olivia Smith, and I am the Tax and Budget Policy Analyst with the Indiana Community Action Poverty Institute. Our research and policy advocacy focuses on promoting the financial well-being of all Hoosiers, and I'm here to talk about prioritizing babies in the budget.

While families face many high costs to care for their children, we know that parents face unique financial challenges in the first year of their child's life. Some of those challenges include reduced work hours or unpaid leave for prenatal visits and recovery from childbirth, medical costs for mom and baby, and infant childcare costs, among others.

Recognizing the need to help support young families at a financially vulnerable time, the legislature added a newborn exemption to our state tax code in 2023 that supports parents welcoming a new child through birth or adoption. However, that \$1,500 income tax exemption only actually translates to \$45 of tax savings for a family.

Senate Bill 497: Tax Credit for Newborn Children, builds upon this concept and repurposes the newborn exemption into a fully refundable, \$500 tax credit for families earning up to 720% of the federal poverty level. Changing the mechanism from an exemption to a dollar-for-dollar credit would not only put more money back in parents' pockets, but also make the tax code easier to understand for everyday Hoosiers. Using a tax credit to provide this support to parents is also a very efficient method of delivery, with low administrative burden for both the state and for families.

In the first half of this legislative session, SB 497 was unanimously passed out of the Senate Tax and Fiscal committee, with both Chairman Holdman and 7 other committee members as coauthors. In order to keep the language moving before half time, the fiscal was stripped out in committee so it could proceed to a full Senate vote, where you and your colleagues, again, unanimously passed the bill on 3rd reading.

Our conversations with House members have been just as positive;

However, we know that this tax credit would ultimately need to be a budget consideration. That is why I am here today, to highlight the need for supporting Hoosier families through the tax code, and to ask for your support in making this newborn tax credit a priority during the budget process.

I will send all the committee members an electronic copy of the one pager for the bill I have here, which summarizes all of this information, and includes the support of the following organizations: Prosperity Indiana, RESULTS, Indiana Assets and Opportunities Network, Healthier Moms and Babies, United Way of Central Indiana, Indiana Coalition Against Domestic Violence, Indiana United Ways, Lafayette Urban Ministries, Indiana Catholic Conference, and Indiana Family Institute.

Again, thank you for the opportunity to provide testimony, and I appreciate the committee's time on this busy day.