

KANSAS OFFICE *of*  
**REVISOR *of* STATUTES**

LEGISLATURE *of* THE STATE *of* KANSAS  
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300 SW TENTH AVENUE ■ SUITE 24-E ■ TOPEKA, KS 66612 ■ (785) 296-2321

## MEMORANDUM

To: Members of the House Committee on Taxation

From: Adam Siebers, Assistant Revisor

Date: February 20, 2024

Subject: House Bill No. 2757

### Summary

House Bill No. 2757 provides the Adoption Savings Account Act. Commencing July 1, 2025, individuals can open an account with a financial institution and designate the account as an Adoption Savings Account to be used to pay or reimburse a designated beneficiary's eligible expenses for the adoption of a child in this state. The account holder shall be required to designate by April 15 of the following year the account is established the prospective adoptive parent that will be the designated beneficiary of the account.

The maximum contribution into an account in any tax year shall be \$3,000 for an individual and \$6,000 for a married couple filing a joint return. The maximum amount of all contributions into an account in all tax years shall be \$24,000 for an individual and \$48,000 for a married couple filing a joint return. The maximum total amount in an account shall be \$50,000.

The moneys in an adoption savings account may be:

- 1) Used for eligible expenses related to a designated beneficiary's adoption of a child in this state;
- 2) used for eligible expenses that would have qualified but the adoption was not completed;
- 3) transferred to another newly created account;
- 4) invested in certificates of deposit; and
- 5) used to pay service fees assessed by the financial institution.

Moneys that are subject to recapture shall be an amount equal to the moneys withdrawn from an account and shall be added to the Kansas adjusted gross income of the account holder or, if the account holder is no longer living, the designated beneficiary. If any moneys are subject to recapture, the account holder shall pay a penalty in the following amounts:

- 1) If the withdrawal of moneys occurred 10 or less years after the first deposit in the account, 5% of the amount subject to recapture; and
- 2) if the withdrawal of moneys occurred more than 10 years after the first deposit in the account, 10% of the amount subject to recapture.

The penalties would not apply if the withdrawn moneys are:

- 1) Used for eligible expenses related to a designated beneficiary's adoption outside of this state; or
- 2) from an account after the death of the designated beneficiary, and the account holder did not designate a new designated beneficiary during the same tax year.

No financial institution would not be required to:

- 1) Designate an account as an adoption savings account or designate the beneficiaries of an account in the financial institution's account contracts or systems or in any other way;
- 2) track the use of moneys withdrawn from an account; or
- 3) report any information to the Department of Revenue or any other governmental agency that is not otherwise required by law.

No financial institution shall be responsible or liable for:

- 1) Determining or ensuring that an account holder is eligible for a Kansas adjusted gross income modification pursuant to K.S.A. 79-32,117, and amendments thereto;
- 2) determining or ensuring that moneys in the account are used for eligible expenses; or
- 3) reporting or remitting taxes or penalties related to the use of account moneys.

The State Treasurer would have nonexclusive authority to market Adoption Savings Account Program.

Commencing in tax year 2025, taxpayers would be allowed a subtraction modification either:

- 1) In the amount not to exceed \$3,000 for an individual or \$6,000 for a married couple filing a joint return or the taxpayer for the amounts contributed; or
- 2) The amounts received as income earned from assets in the adoption savings account.