How does the adoption tax credit currently work?

In 2015, families adopting children can claim up to $13,400 per child. Qualified expenses include adoption fees, attorney fees, court costs, travel expenses, and re-adoption expenses for intercountry adoptions. Families who adopt a child whom the state determines has special needs can claim the maximum credit regardless of their actual expenses. Families can benefit only if they have federal income tax liability; current law allows it to be applied toward liability over a six-year period.

**Why is it important to encourage the adoption of children with the adoption tax credit?**

Children and youth deserve a permanent family, and research has shown that financial support can encourage adoption of waiting children, including children in foster care. Poor outcomes are common for youth who exit foster care without stable families. Studies of youth who “aged out” of the foster care system on their own found that:

- 58% of foster youth graduate high school by age 19.
- 1 in 4 will be involved in the justice system 2 years after aging out of care.
- Only 50% will be employed by age 24.
- Of young women will be pregnant by age 21.

Compared to children who remain in foster care, children who are adopted have been shown to be 54 percent less likely to be delinquent or arrested, 19 percent less likely to become a teen parent, and for many children and families. The Congressional Record highlights the significance of the credit at its inception: “...this may make the difference between a child in foster care becoming part of an adoptive family or remaining in foster care indefinitely.”

**What are the cost savings associated with the adoption of children?**

A study conducted by Barth et al., and reported by the federal Children’s Bureau, showed that the government saves between $65,000 and $127,000 for each child who is adopted rather than placed in long-term foster care. Studies have shown that youth who are adopted are more likely to be contributing members of society. When compared to their peers who age out of care, adopted youth are more likely to complete college, be employed, and earn adequate income.

**Who are adoptive families?**

Although adoptive families vary, 62 percent of adopted children are adopted by lower and middle-income taxpayers. Almost half of children adopted from care live in families with household incomes at or below 200 percent of the federal poverty level.

**Why should the credit be refundable?**

Right now the credit disadvantages low-and middle-income families and may prevent them from adopting children who need a family. Adoptive families who have low or moderate incomes receive no benefit or partial benefit from the non-refundable adoption tax credit. Families with annual incomes between $30,000 and $50,000 could only claim on average $1,148 of the credit annually ($6,686 over six years). This means the credit inadvertently benefits high income families the most. Some low- and middle-income families will not be able to adopt without the support of a refundable adoption tax credit. When the credit was refundable, many adoptive parents (both domestic and intercountry) also noted that accessing the credit for a first adoption enabled them to adopt a second child.

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7) National Survey of Adoptive Families
The Adoption Tax Credit Working Group’s Executive Committee

American Academy of Adoption Attorneys
Adopt America Network
Christian Alliance for Orphans
Congressional Coalition on Adoption Institute (Secretariat)
Dave Thomas Foundation for Adoption
Donaldson Adoption Institute
National Council for Adoption
North American Council on Adoptable Children
RESOLVE: The National Infertility Association
ShowHope
Voice for Adoption

Other Members of the Adoption Tax Credit Working Group

Villa Hope
Alabama Foster & Adoptive Parent Association
Lifeline Children’s Services, Inc.
Dillon Southwest
Partners for Adoption
AASK - Adopt A Special Kid
About A Child
Adoption Law Group
Angels’ Haven Outreach
Bal Jagat - Children’s World Inc
Independent Adoption Center
Pact, An Adoption Alliance
Across The World Adoptions
Sierra Forever Families
Family Connections Christian Adoptions
Bay Area Adoption Services
AdoptFund, Inc.
Alpine Adoption, Inc.
Adoption Today
Project 1.27
Fostering Families Today
The Adoption Exchange
Fund Your Adoption
CT Assoc. of Foster and Adoptive Parents
Lutheran Services in America
Families for Private Adoption
Family Equality Council
Child Welfare League of America (CWLA)
Family & Youth Initiative
Florida State Foster/Adoptive Parent Association
Broward Foster & Adoptive Parent Association
Beacon House Adoption Services, Inc
Jewish Adoption and Foster Care Options (JAFICO)
Pinellas County Foster and Adoptive Parent Association
The Adoption Consultancy
The Sylvia Thomas Center for Adoptive and Foster Families
Georgia Council of Adoption Lawyers
Georgia Association of Licensed Adoption Agencies
Illien Adoptions International, Inc.
Georgia Center for Opportunity
Iowa Foster and Adoptive Parents Association
Idaho Foster and Adoptive Parents Association
Family Resource Center
Sunny Ridge Family Center
The Adoption Lantern
Adoption Learning Partners
The Cradle
Lifeson for Orphans
Adoption ARK, Inc.
ACT (Adoption in Child Time)
Families Thru International Adoption
MLJ Adoptions
Christian Family Services of the Midwest, Inc.
Youthville
Resources4adoption.com
Adoption & Beyond, Inc.
American Adoptions
All Blessings International, Inc.
Catholic Charities of the Diocese of Baton Rouge
RainbowKids.com Adoption Advocacy
A Red Thread Adoption Services, Inc.