

THE IMPORTANCE OF THE ADOPTION TAX CREDIT

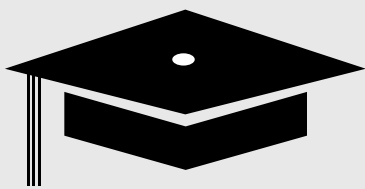
The adoption tax credit is a bipartisan credit that has existed since 1997. It advances an important public goal by encouraging domestic and international adoptions, especially for children with special needs who otherwise might linger in costly foster care. By offsetting some of the costs of adoption or of caring for a child with special needs, the tax credit makes adoption a more viable option 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."¹

How does the adoption tax credit currently work?

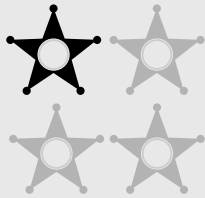
In 2015, families adopting children can claim up to \$13,400 per child. Qualified expenses include adoption fees, attorney fees, court costs, travel expenses, and re-adoption expenses for intercountry adoptions. Families who adopt a child whom the state determines has special needs can claim the maximum 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 that²:



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.



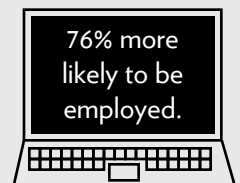
Only 50% will be employed by age 24.



71% 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 parent³, and

Additionally, children awaiting intercountry adoption face similar challenges globally: increased risk of sex and labor trafficking, gang and crime involvement, and suicide as well as decreased likelihood of completed education, stable employment, and family stability.⁴



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 care⁵. 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.⁶



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.⁷

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 (\$6,668 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.

1] Louis Stokes, Extension of Remarks (Delivered May 10, 1996), Congressional Record, Volume 142, Issue 67 (May 14, 1996), E787- Adoption Promotion and Stability Act of 1996 - 104th Congress, 2nd Session. 2] Jim Casey Youth Opportunities Initiative. (n.d.). Retrieved February 3, 2015, from <http://www.jimcaseyyouth.org/> 3] M.E. Hansen, M. (2011). "The Value of Adoption." Retrieved from <http://w.american.edu/cas/economics/repec/amu/workingpapers/1506.pdf> 4] Morantz, G., Coleb, D., Vreemanc, R., Ayayad, S., Ayukud, D., & Braitstein, P. (n.d.). Child abuse and neglect among orphaned children and youth living in extended families in sub-Saharan Africa: What have we learned from qualitative inquiry? Vulnerable Children and Youth Studies: An International Interdisciplinary Journal for Research, Policy and Care, 8(4). Retrieved from <http://www.tandfonline.com/> 5] R. P. Barth, C. K. Lee, J. Wildfire, and S. Guo, "A Comparison of the Governmental Costs of Long-Term Foster Care and Adoption," Social Service Review (March 2006). Retrieved April 11, 2013, from: <https://cbexpress.acf.hhs.gov/index.cfm?event=website.viewPrinterFriendlyArticle&articleID=1183> 6] Hansen, M.E. (2006). The value of adoption. Washington, DC: American University 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
Evan B. Donaldson Adoption Institute
Joint Council on International Children's Services
National Council For Adoption
North American Council on Adoptable Children
RESOLVE: The National Infertility Association
ShowHope
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Other Members of the Adoption Tax Credit Working Group

AASK – Adopt A Special Kid
About A Child
Across The World Adoptions
ACT (Adoption in Child Time)
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Adoption & Beyond, Inc.
Adoption Advocates International
Adoption ARK, Inc.
Adoption Associates, Inc.
The Adoption Consultancy
The Adoption Exchange
The Adoption Lantern
Adoption Learning Partners
Adoption Law Group
Adoption STAR
Adoption Today
Adoptions Together
Adoptive Families magazine
Adoptive Parents Committee Inc.
Agape Adoptions
Alabama Foster & Adoptive Parent Association
All Blessings International, Inc.
All God's Children International
Alpine Adoption, Inc.
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Carolina Adoption Services, Inc.
Catholic Charities of the Diocese of Baton Rouge
Child Welfare League of America (CWLA)
Children at Heart Adoption Services, Inc.
Children's Home Society & Family Services
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Children's House International
A Chosen Child Adoption Services
Christian Adoption Services, Inc.
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Crossroads Adoption Services
Dillon International, Inc.
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Faith International Adoptions
Families Like Ours, Inc.
Families for Private Adoption
Families Thru International Adoption

Family & Youth Initiative
Family Connections Christian Adoptions
Family Enrichment Center
Family Equality Council
Family Focus Adoption Services
Family Resource Center
Florida State Foster/Adoptive Parent Association
Forever Families Through Adoption, Inc.
Foster Family-based Treatment Association
Foster Parents Association of Washington State
Fostering Families Today
Friends in Adoption
Generations Adoptions
Georgia Association of Licensed Adoption Agencies
Georgia Council of Adoption Lawyers
Gladney Center for Adoption
Global Adoption Services
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Michael S. Goldstein, Esq., LCSW
Helpusadopt.org
Holt International Children's Services
Hopscotch Adoptions, Inc.
Idaho Foster and Adoptive Parents Association
Illien Adoptions International, Inc.
Independent Adoption Center
Iowa Foster and Adoptive Parents Association
Jewish Adoption and Foster Care Options (JAFCO)
Journeys of the Heart Adoption Services
La Vida International
Law Office of Barbara Thornell Ginn
Lifeline Children's Services
Lifesong for Orphans
Lutheran Services in America
Lutheran Social Services of New England
Lutheran Social Services of Wisconsin and Upper Michigan
Michigan Association for Foster, Adoptive, and Kinship Parents
Minnesota Foster Care Association
Miriam's Promise
MLJ Adoptions
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National Center for Adoption Law and Policy
National Down Syndrome Adoption Network
National Foster Parent Association
Nebraska Foster and Adoptive Parent Association
New Beginnings International Children's and Family Services
New Hope for Children
New York State Citizens' Coalition for Children
One Church One Child of North/North Central Texas, Inc.
Oregon Post Adoption Resource Center
Pact, An Adoption Alliance
Partners for Adoption
Pinellas County Foster and Adoptive Parent Association
Project 1.27
Sierra Forever Families
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Sunny Ridge Family Center
RainbowKids.com Adoption Advocacy
A Red Thread Adoption Services, Inc.
Resources4adoption.com
The Sylvia Thomas Center for Adoptive and Foster Families
Texas Foster Family Association
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Tuscarawas County Job and Family Services
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Welcome House Adoption Program of Pearl S. Buck International
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