

Adoption Tax Credit Refundability

The Need for Refundability

Included in the *Tax Cuts and Jobs Act*, the adoption tax credit is a vital resource that helps offset some of the costs of domestic and intercountry adoptions. For families who adopt a child with special needs—who may otherwise linger in public care—this tax credit helps families afford the additional costs of preparing to bring their child home and caring for their needs post-placement.

A refundable tax credit would allow taxpayers with little or no tax liability to claim the entire value of the credit in a given year. Not only would a refundable credit promote equity among adoptive parents with different incomes, but it would also make adoption less financially burdensome—particularly for families with children who have costly special needs.

How It Works

Married couples must file jointly. Registered domestic partners can split the qualifying expenses and tax credit. The credit may be carried forward up to five years.

Qualifying expenses include adoption and attorney fees, court costs, traveling expenses, and more.

81.3%

of adoptions through foster care are "special needs"

60%

of adopted children are adopted into middle- to low-income homes

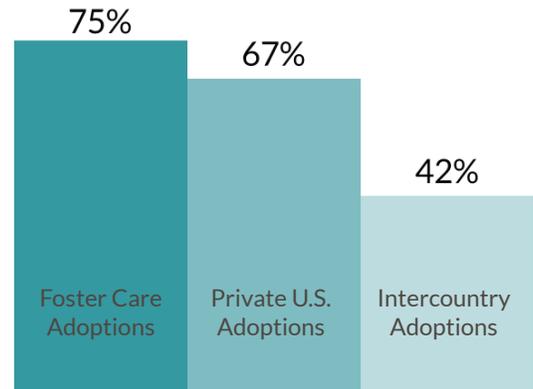
\$127k

The government saves between \$65,000–\$127,000 for every child who is adopted rather than placed in long-term foster care.

\$14,300

2020's maximum credit per child

Percentage of adoptive families with household incomes below 400% of the poverty threshold. (2007)



Two-thirds of taxpayers claiming the adoption tax credit in 2015 had an AGI less than \$100,000.

Adjusted Gross Income	Total Credit Dollars (in millions)	Share of Returns Claiming the Credit	Average Credit Amount per Return
<\$30k	\$0	0%	\$0
\$30–\$50k	\$17.3M	26.8%	\$1,010
\$50k–\$75k	\$34.6M	23.6%	\$2,295
\$75k–\$100k	\$38.1M	15.6%	\$3,805
\$100k–\$200k	\$151.8M	31.8%	\$7,469
>\$200k	\$9.4M	2.2%	\$6,719
TOTAL	\$251.2M	100%	\$3,928

63,960

taxpayers claimed the credit in 2015 (0.4% of all taxpayers). For reference, 75,337 children were adopted in 2014.

69%

of returns with adoption tax credit claims were selected for audit in 2011. Only \$11 million—or 1.5%—were disallowed.

Sources: National Survey of Adoptive Parents, U.S. Department of Health and Human Services, 2007 | Adoption Tax Benefits: An Overview, Congressional Research Service, 2018 | A Comparison of the Governmental Costs of Long-term Foster Care and Adoption, Social Service Review, 2006