



Testimony
of
William L. Pierce, Ph.D.,
on behalf of the
National Council For Adoption, Inc.,
on
H.R. 11,
(the Family Reinforcement Act)

Jan. 18, 1995

Before the Committee on
Ways and Means
U.S. House of Representatives
Washington, D.C.

Mr. Chairman and members of the Committee on Ways and Means, my name is William Pierce and I am the President of the National Council For Adoption. Here today with me is Cassie Statuto Bevan, our Vice President for Public Policy. Thank you, Chairman Archer, for inviting us to testify today before the Committee.

The National Council For Adoption was formed in 1980. Today it represents 130 agency locations across the United States as well as several thousand individual members -- those who have been adopted, people who have placed children for adoption, adoptive parents, social workers, lawyers and people from all walks of life.

We are a non-sectarian and non-partisan organization, with our headquarters here in Washington, D.C. and formal affiliates in Texas, Pennsylvania and New Jersey and informal state affiliates in many other locations.

We strongly support the Family Reinforcement Act, which would provide tax benefits for those who adopt children, as many of the members of this Committee well know because we have been before the Committee on previous occasions. In fact, when we work with those who are members of the Congressional Coalition on Adoption, a bipartisan and bicameral caucus -- not supported by any tax funds, I might add -- the issue of tax fairness for adoptive families is always on the agenda.

This is the first time we have had a chance to testify on the kind of bill we have always preferred -- a refundable tax credit. This bill, preferably without any phase-out or "cap," is something we wholeheartedly endorse.

We endorse this bill for many reasons. It is needed by children. It is needed by parents. It is needed by the agencies and others who are not supported by tax dollars. It is needed by America.

It is needed by children because without a refundable tax credit, many children who would otherwise be adopted will be denied loving, permanent adoptive families. It is our estimate that there are 100,000 children who are waiting for adoptive families in this country -- stuck in the system, often because of financial reasons. These children are disproportionately of mixed ethnicity, or of African-American, Hispanic/Latino, Native American or Asian background.

These children are in the custody of or are placed by either the public or private sectors. A February, 1991, CRS report, Adoption: Federal Programs and Issues, says that about 15 percent of the children who are adopted in the U.S. come through the public child welfare system. Therefore, the tax credit could benefit about 85 percent of the children adopted each year.

It is needed by parents because without this financial help, many who could handle the day-to-day expenses of rearing a child who needs adoption can't handle the full fee for adopting. \$5,000 would make all the difference in the world to them. And for others, like Valerie and Doug who are with us at this hearing today, a tax credit could mean the difference between adopting one child or two. This credit, in our view, should be available to every family who adopts, regardless of their income because it subsidizes an appropriate, family-building activity. It sends a clear signal that adoption is a legitimate way to reinforce the principle that children grow up best when they have a permanent, competent, loving family.

The tax credit is needed by the agencies and others who are not supported by tax dollars but who serve pregnant women and women in crisis and help find adoptive families for children. These agencies and people want to serve every woman and every child who comes to them, but without at least some minimum guaranteed level of fee that they can count on, they have to make a terrible choice. They can either continue serving everyone for a while, operating at an ever-deepening deficit and then bankrupt themselves leaving no one to help those women and children -- or they can operate on a sound fiscal basis, help those they can afford to with the contributions and money they can raise, and stay alive to serve some of those who come to them. If they know at least \$5,000 per placement is available to reimburse part of the agency, legal and medical expenses that are incurred most of the agencies and people in the private arena will be able to drastically decrease the numbers they have to turn away. They turn away those who are likely to deliver children who will be difficult to place for adoption for a fee equal to cost outlays. Sometimes, they have to make placement decisions not on the basis of who would be the preferred parents but who has the \$5,000 to partially reimburse costs.

It is needed by America, and doubtless is part of the "Contract With America" because it makes common sense. This kind of approach is something people with very differing philosophies and politics can agree on. Let me give you an example of what I mean. Two weeks ago, we convened a Conference at Hershey, Pennsylvania, and brought together about 30 experts from across the country to look at some of the issues that are in the Contract With America. These experts were from the fields of law, medicine, social work, psychology, and education. They were from the public and private sectors. They were ethnically diverse. By the end of the Conference, we had hammered out 20 recommendations. Recommendation number 16, which reads "To promote adoption, a refundable tax credit for adopting parents of \$5,000 per adoption should be created," was accepted by a vote of 22 for, 1 no and 1 abstention. In a day when consensus is difficult to reach, it is highly significant that 90% of those voting endorsed the refundable tax credit. Such a plurality goes well beyond a landslide in public opinion.

The reason an adoption tax credit is good for America is that it translates common sense into public policy. Currently, the federal government is paying thousands of dollars per year per child, with tax dollars, and the results are miserable for the children. Most are not growing up to be healthy, productive citizens. Many go on to dependency status on welfare or in prisons. The price tag could easily average, even taking some of the absurdly low estimates we have seen from the Department of Health and Human Services, that welfare only costs \$300 per month. Spending a maximum of \$5,000 on a one-time tax credit to help kids get good families and to avoid the destruction of hundreds of thousands of young lives is far better. It is better for the children. It is better for a society that is increasingly fearful of the angry, violent children that are a feature of nearly every community. It is even better for some childless couples who would rather adopt than go through the painful, costly and often ethically-questionable process of infertility treatments.

There is a history of tax discrimination against adoptive parents, with only one true bright spot, that enacting this legislation would put aright.

There has been bipartisan interest in giving adopting parents a tax break for more than 15 years. Some of those who worked long and hard for such breaks have retired from the House -- like Bill Lehman of Florida. Others, and I include some on this Committee, like Charles Rangel, have long had an interest in getting some sort of tax break enacted. Among Republicans, Chris Smith of New Jersey certainly has been one of the leaders and was one of the first to speak about the need for a tax credit, going beyond the tax deduction approach.

So there is a history of bipartisan support for tax help for adopting parents.

Nearly 15 years ago, largely through the efforts of a Republican Senator from Iowa, Mr. Jepsen, a modest tax deduction for children with "special needs" made it through the Congress and was signed into law.

But it wasn't long until, under the guise of "simplification," those who were opposed to parents who adopt from non-government sources struck back. They convinced the Congress to wipe out the tax deduction for children with special needs and to give the public sector a blank check to help some families and some children. In the process, the intent of Congress was lost and we spent two sessions trying to get the problem fixed up through a technical amendment. The problem never was really fixed. We are in 1995 treating adoptive families who adopt from non-public sources more inequitably and unevenly than we did 10 years ago. So much for "improving Sen. Jepsen's simple, clear legislation"!

That is why we are so pleased to have the refundable tax credit as part of the "Contract With America". We certainly

endorse this provision, and would ask that it be extended to all families, regardless of their income.

Why do this? How is this common sense, when people making over \$200,000 a year would get a tax credit? Let me give you a real example, without using names or locations, to protect the privacy of the family involved.

I know a family that does have gross adjusted income in excess of \$200,000. They have adopted several children, all from non-public sources. None of them are getting any subsidies or government help. Some have special needs. The last child has very challenging medical needs. Those needs are such that this family is putting out \$3,000 per month for health care assistance so that the baby can be cared for at home by the stay-at-home Mom, with help, as the baby develops and its health status improves. Even with an income of \$200,000, \$36,000 in extra medical help for one child takes a big bite. Even at this income level, a \$5,000 tax credit could make the difference between some child who needs a home getting one or not. Had this family not been financially able to pay the initial agency fee, the child would have had to have been referred to a public agency, where the baby would have likely languished for years at a great cost to taxpayers.

I think it is also important to keep in mind that the tax credit will help provide real options to families who would like to adopt, who have modest incomes, and who are members of racial and ethnic minorities. There are many families, working at low wages, often in rural areas who would be glad to adopt but they want nothing to do with the public welfare system, the child welfare system or the foster care system, which have too often been hostile and unresponsive to the option of adoption. They would adopt if there were a private agency they could go to, and they had some financial help to enable them to go with their heads high rather than their hats in their hands.

Let me give you an example from one of our member agencies in Houston, Texas, Los Ninos International Adoption Center. This agency used to provide services, as part of its program for American kids who need to be adopted, to a variety of children, including special needs children and healthy babies. Many were African-American or Latino/Hispanic. The combination of state regulations and a 100% tax-subsidized public sector which could offer "free" services to everyone drove them away from serving American kids. And this was true even though this agency had found a foundation that gave them a grant to help subsidize some of the costs of some of the adoptions. Many of the pregnant women that used to use this private agency's services now must go to the only other place they think will make adoption services available to them -- public agencies. They then are offered welfare and family preservation services and, generally, adoption services as a last and belated resort. Or they make choices other than adoption, choices they would rather not make, choices that are not in the best interest of children. One of those choices, when the young

woman is fearful enough, or has received no decent counseling, or sees no way to preserve her or her family's privacy, is literally throw the child away.

The refundable tax credit is at the top of our domestic "wish list" for this Congress. But this tax credit will also benefit families who are adopting children from other countries, children who are desperately in need of homes. These families often have very high costs because of the need to travel to those countries and complete the adoption, and they sometimes need to stay there for two to 12 weeks while their papers are being processed. These Americans are doing something tremendously heart-warming and humanitarian. They are Polish-Americans and Lithuanian-Americans and Russian-Americans and they have backgrounds from the Philippines or India or Korea or China and they have a special bond with the children who need families and who in those countries. That's why this makes so much sense. Why not help American families with a \$5,000 tax credit so they can adopt children who are already born and in need of families rather than subsidize the infertility treatment industry, where in vitro fertilization and other exotic interventions provide a \$50,000 price-tag for a 25% chance of having a healthy pregnancy? I would suggest that someone look at the tax consequences at the federal and state level of mandating broad insurance coverage for the infertility treatment industry and compare it with the social, ethical and fiscal alternative of a \$5,000 tax credit.

I also hope that some of you who are concerned about the children languishing in foreign countries, and I know this is important to many ordinary Americans who are your constituents, will keep in mind one other issue that is not in the Contract With America but is at the top of our agenda for international programs. A new international treaty to smooth adoptions between countries has been drafted at The Hague and the U.S. needs to set up a system to fit into that treaty and then ratify that treaty. Ideally, both of those things should take place in the same 100 days that the Speaker has indicated will be spent focusing on the Contract With America. So, please consider slipping this priority in among the other work you are doing in those first 100 days and if that's not possible, please make it your first adoption priority for the second 100 days.

Thank you again for inviting us to testify. I would be glad to answer any questions you may have about our statement, about the recommendations that came out of our Conference two weeks ago at Hershey, or any other matter within the jurisdiction of this Committee.

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Attachment: "THE FINANCES OF ADOPTION: A LOOK AT REVENUES AND EXPENSES"