

Adoption Tax Credit

2016 Credit

\$13,460



The ATC is an important credit that helps to offset some of the costs for domestic and international adoptions, especially for children with special needs who otherwise might linger in costly foster care. By offsetting some of the costs, 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."

What does it cover?

- Reasonable and necessary adoption fees
- Court costs and attorney fees for the legal adoption of an eligible child.
- Traveling expenses for intercountry adoptions
- Other expenses that are directly related to and for the principal purpose of the legal adoption of an eligible child.

Who uses it?

The credit can be applied to offset the tax liability of families who are within the income limitations and:

- Adopt from foster care
- Adopt infants
- Adopt internationally

ATC = More Kids in Families

Why does it need to be refundable?

Adoptive families who have low or moderate incomes don't receive the full benefit from a non-refundable adoption tax credit. Families with annual incomes between \$30K and \$50K could only claim on average \$1,148 of the credit annually (\$6,668 over six years). Some low- and middle-income families don't receive these helpful benefits without the support of a refundable adoption tax credit. When the credit was refundable, many adoptive parents noted that accessing the credit for a first adoption enabled them to adopt a second child sooner.

Why is it important?

Without this credit, families wouldn't have all the resources that help children thrive.

Studies from the Children's Bureau have shown that the government saves between \$65,000 and \$127,000 for each child who is adopted rather than placed in long-term foster care. Children who are adopted are also more likely to grow up to be contributing members of society and when compared to their peers who age out of care, are more likely to complete college, be employed, and earn adequate income.

