

104TH CONGRESS
1ST SESSION

S. 520

To amend the Internal Revenue Code of 1986 to allow a refundable tax credit for adoption expenses.

IN THE SENATE OF THE UNITED STATES

MARCH 9 (legislative day, MARCH 6), 1995

Mr. SHELBY introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow a refundable tax credit for adoption expenses.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Adoption Assistance
5 for Families Act”.

6 **SEC. 2. REFUNDABLE CREDIT FOR ADOPTION EXPENSES.**

7 (a) IN GENERAL.—Subpart C of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of
9 1986 (relating to refundable credits) is amended by redес-

1 ignating section 35 as section 36 and by inserting after
2 section 34 the following new section:

3 **“SEC. 35. ADOPTION EXPENSES.**

4 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
5 dividual, there shall be allowed as a credit against the tax
6 imposed by this subtitle for the taxable year the amount
7 of the qualified adoption expenses paid or incurred by the
8 taxpayer during such taxable year.

9 “(b) LIMITATIONS.—

10 “(1) DOLLAR LIMITATION.—The aggregate
11 amount of qualified adoption expenses which may be
12 taken into account under subsection (a) with respect
13 to the adoption of a child shall not exceed \$5,000.

14 “(2) INCOME LIMITATION.—The amount allow-
15 able as a credit under subsection (a) for any taxable
16 year shall be reduced (but not below zero) by an
17 amount which bears the same ratio to the amount
18 so allowable (determined without regard to this
19 paragraph but with regard to paragraph (1)) as—

20 “(A) the amount (if any) by which the tax-
21 payer’s adjusted gross income exceeds \$60,000,
22 bears to

23 “(B) \$40,000.

24 “(3) DENIAL OF DOUBLE BENEFIT.—

1 “(A) IN GENERAL.—No credit shall be al-
2 lowed under subsection (a) for any expense for
3 which a deduction or credit is allowable under
4 any other provision of this chapter.

5 “(B) GRANTS.—No credit shall be allowed
6 under subsection (a) for any expense to the ex-
7 tent that funds for such expense are received
8 under any Federal, State, or local program.

9 “(c) QUALIFIED ADOPTION EXPENSES.—For pur-
10 poses of this section, the term ‘qualified adoption ex-
11 penses’ means reasonable and necessary adoption fees,
12 court costs, attorney fees, and other expenses which are
13 directly related to the legal adoption of a child by the tax-
14 payer and which are not incurred in violation of State or
15 Federal law or in carrying out any surrogate parenting
16 arrangement. The term ‘qualified adoption expenses’ shall
17 not include any expenses in connection with the adoption
18 by an individual of a child who is the child of such individ-
19 ual’s spouse.

20 “(d) MARRIED COUPLES MUST FILE JOINT RE-
21 TURNS.—Rules similar to the rules of paragraphs (2), (3),
22 and (4) of section 21(e) shall apply for purposes of this
23 section.”

24 (b) CONFORMING AMENDMENTS.—

1 (1) Paragraph (2) of section 1324(b) of title
2 31, United States Code, is amended by inserting be-
3 fore the period “, or from section 35 of such Code”.

4 (2) The table of sections for subpart C of part
5 IV of subchapter A of chapter 1 of the Internal Rev-
6 enue Code of 1986 is amended by striking the last
7 item and inserting the following:

 “Sec. 35. Adoption expenses.
 “Sec. 36. Overpayments of tax.”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 1995.

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