

119TH CONGRESS
1ST SESSION

H. R. 2438

To amend the Internal Revenue Code of 1986 to create a refundable tax credit for foster families, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 27, 2025

Mrs. HOUCHIN (for herself and Ms. JOHNSON of Texas) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to create a refundable tax credit for foster families, and for other purposes.

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 “Foster Care Tax Cred-
5 it Act”.

6 **SEC. 2. FOSTER CARE TAX CREDIT.**

7 (a) ALLOWANCE OF CREDIT.—

1 (1) IN GENERAL.—Subpart C of part IV of sub-
 2 chapter A of chapter 1 of the Internal Revenue Code
 3 of 1986 is amended by inserting after section 36B
 4 the following new section:

5 **“SEC. 36C. FOSTER CARE TAX CREDIT.**

6 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
 7 gible taxpayer, there shall be allowed as a credit against
 8 the tax imposed by this chapter for the taxable year an
 9 amount equal to \$850.

10 “(b) LIMITATION.—

11 “(1) IN GENERAL.—The amount of the credit
 12 allowable under subsection (a) (determined without
 13 regard to this subsection) shall be reduced (but not
 14 below zero) by the amount which bears the same
 15 ratio to such credit (as so determined) as—

16 “(A) the excess of—

17 “(i) the taxpayer’s modified adjusted
 18 gross income for such taxable year, over

19 “(ii) the threshold amount, bears to

20 “(B) \$17,000.

21 “(2) THRESHOLD AMOUNT.—For purposes of
 22 paragraph (1), the term ‘threshold amount’ means—

23 “(A) \$250,000, in the case of a joint re-
 24 turn,

1 “(B) \$150,000, in the case of an individual
2 who is not married, and

3 “(C) \$125,000, in the case of a married
4 individual filing a separate return.

5 For purposes of this paragraph, marital status shall
6 be determined under section 7703.

7 “(3) MODIFIED ADJUSTED GROSS INCOME.—

8 For purposes of this subsection, the term ‘modified
9 adjusted gross income’ means the adjusted gross in-
10 come of the taxpayer for the taxable year increased
11 by any amount excluded from gross income under
12 section 911, 931, or 933.

13 “(c) ELIGIBLE TAXPAYER.—For purposes of this sec-
14 tion—

15 “(1) IN GENERAL.—The term ‘eligible taxpayer’
16 means, with respect to any taxable year, any tax-
17 payer—

18 “(A) with whom a qualifying foster child
19 was placed for a period of not less than 1
20 month during such taxable year, and

21 “(B) for whom a credit under section 24
22 with respect to such eligible foster child is not
23 allowed for such taxable year.

1 “(2) QUALIFYING FOSTER CHILD.—The term
2 ‘qualifying foster child’ means an eligible foster child
3 (within the meaning of section 152(f)(1)(C))—

4 “(A) who has not attained age 17, and

5 “(B) who is a citizen, national, or resident
6 of the United States.

7 “(3) CALENDAR MONTH.—For purposes of this
8 paragraph (1)(A), if a foster child resides in the
9 home of the taxpayer for more than 15 consecutive
10 days of a calendar month but fewer than the total
11 number of days in such calendar month, such foster
12 child shall be treated as residing in the home of the
13 taxpayer for the full calendar month.

14 “(d) RESTRICTIONS ON TAXPAYERS WHO IMPROP-
15 ERLY CLAIMED CREDIT IN PRIOR YEAR.—

16 “(1) TAXPAYERS MAKING PRIOR FRAUDULENT
17 OR RECKLESS CLAIMS.—

18 “(A) IN GENERAL.—No credit shall be al-
19 lowed under this section for any taxable year in
20 the disallowance period.

21 “(B) DISALLOWANCE PERIOD.—For pur-
22 poses of subparagraph (A), the disallowance pe-
23 riod is—

24 “(i) the period of 10 taxable years
25 after the most recent taxable year for

1 which there was a final determination that
2 the taxpayer's claim of credit under this
3 section was due to fraud, and

4 “(ii) the period of 2 taxable years
5 after the most recent taxable year for
6 which there was a final determination that
7 the taxpayer's claim of credit under this
8 section was due to reckless or intentional
9 disregard of rules and regulations (but not
10 due to fraud).

11 “(2) TAXPAYERS MAKING IMPROPER PRIOR
12 CLAIMS.—In the case of a taxpayer who is denied
13 credit under this section for any taxable year as a
14 result of the deficiency procedures under subchapter
15 B of chapter 63, no credit shall be allowed under
16 this section for any subsequent taxable year unless
17 the taxpayer provides such information as the Sec-
18 retary may require to demonstrate eligibility for
19 such credit.”.

20 (2) CONFORMING AMENDMENTS.—

21 (A) Section 6211(b)(4) of the Internal
22 Revenue Code of 1986 is amended by inserting
23 “36C,” after “36B,”.

1 (B) Section 1324(b)(2) of title 31, United
 2 States Code, is amended by inserting “25E,”
 3 after “25A,”.

4 (C) The table of sections for subpart C of
 5 part IV of subchapter A of chapter 1 of the In-
 6 ternal Revenue Code of 1986 is amended by in-
 7 serting after the item relating to section 36B
 8 the following new item:

“Sec. 36C. Foster care tax credit.”.

9 (b) INFORMATION RETURNS RELATING TO FOSTER
 10 CHILD PLACEMENT.—

11 (1) IN GENERAL.—Subpart A of part III of
 12 subchapter A of chapter 61 of the Internal Revenue
 13 Code of 1986 is amended by inserting after section
 14 6039J the following new section:

15 **“SEC. 6039K. INFORMATION REPORTING WITH RESPECT TO**
 16 **FOSTER CHILD PLACEMENT.**

17 “(a) IN GENERAL.—Every authorized placement
 18 agency and court which places a qualifying foster child
 19 with a person during a calendar year shall, at such time
 20 as the Secretary shall prescribe, make a return described
 21 in subsection (b).

22 “(b) FORM AND MANNER OF RETURN.—A return is
 23 described in this subsection if such return—

24 “(1) is in such form as the Secretary may pre-
 25 scribe, and

1 “(2) contains, with respect to each qualifying
2 foster child placed during the calendar year—

3 “(A) the name, address, and TIN of each
4 individual with whom such qualifying foster
5 child was placed,

6 “(B) the name of the qualifying foster
7 child, and

8 “(C) the dates during which such place-
9 ment occurred.

10 “(c) STATEMENTS TO BE FURNISHED TO FOSTER
11 PARENTS.—

12 “(1) IN GENERAL.—Every person required to
13 make a return under subsection (a) shall furnish to
14 each individual whose name is required to be set
15 forth under subsection (b)(2)(A) a written statement
16 showing—

17 “(A) the name and address of the person
18 required to make such return and the phone
19 number of the information contact for such per-
20 son, and

21 “(B) the information required to be shown
22 on the return with respect to such individual.

23 “(2) TIME FOR FURNISHING STATEMENTS.—
24 The written statement required under paragraph (1)
25 shall be furnished on or before January 31 of the

1 year following the calendar year for which the return
2 under subsection (a) was required to be made.

3 “(d) QUALIFYING FOSTER CHILD.—For purposes of
4 this section, the term ‘qualifying foster child’ has the
5 meaning given such term under section 36C(c)(2).”.

6 (2) ASSESSABLE PENALTIES.—

7 (A) Section 6724(d)(1)(B) of such Code is
8 amended by striking “or” at the end of clause
9 (xxv), by striking “and” at the end of clause
10 (xxvi) and inserting “or”, and by inserting after
11 clause (xxvi) the following new clause:

12 “(xxvii) section 6039K (relating to in-
13 formation returns with respect to foster
14 child placement),”.

15 (B) Section 6724(d)(2) of such Code is
16 amended by redesignating the second subpara-
17 graph (JJ) as subparagraph (KK), by striking
18 “or” at the end of subparagraph (II), by strik-
19 ing the period at the end of the first subpara-
20 graph (JJ), by striking the period at the end of
21 subparagraph (KK) (as so redesignated) and
22 inserting a comma, and by inserting after such
23 subparagraph (KK) the following new subpara-
24 graph:

1 “(LL) section 6039K(c) (relating to state-
 2 ments with respect to foster child placement).”.

3 (3) CLERICAL AMENDMENT.—The table of sec-
 4 tions of subpart A of part III of subchapter A of
 5 chapter 61 of such Code is amended by inserting
 6 after the item relating to section 6039J the fol-
 7 lowing new item:

“Sec. 6039K. Information reporting with respect to foster child placement.”.

8 (c) ELECTION NOT TO TAKE CHILD TAX CREDIT.—
 9 Section 24(h)(4) of the Internal Revenue Code of 1986
 10 is amended by adding at the end the following new sub-
 11 paragraph:

12 “(D) ELECTION NOT TO TAKE CREDIT.—
 13 A taxpayer may elect not to have this para-
 14 graph apply with respect to any dependent of
 15 the taxpayer to whom a credit would otherwise
 16 be allowed by reason of subparagraph (A). In
 17 any case in which a taxpayer makes an election
 18 under this subparagraph, the credit allowed
 19 under this section shall be treated as not al-
 20 lowed with respect to such dependent.”.

21 (d) APPLICATION OF TAX RETURN PREPARER DUE
 22 DILIGENCE PENALTY.—Section 6695(g) of the Internal
 23 Revenue Code of 1986 is amended by striking “or 32”
 24 and inserting “32, or 36C”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to calendar months beginning after
3 December 31, 2024, in taxable years beginning after such
4 date.

5 (f) EDUCATION.—

6 (1) IN GENERAL.—The Secretary of Health and
7 Human Services (or the Secretary’s delegate), in co-
8 ordination with the Secretary of the Treasury or
9 such Secretary’s delegate, shall identify provisions in
10 the Internal Revenue Code of 1986 that can be used
11 by or can benefit foster families, and shall increase
12 outreach efforts to provide information and edu-
13 cational materials regarding such provisions to State
14 and Indian tribal foster care agencies and to foster
15 families.

16 (2) AUTHORIZATION OF APPROPRIATIONS.—
17 There are authorized to be appropriated such sums
18 as necessary for the purposes of carrying out para-
19 graph (1).

20 **SEC. 3. STUDY AND REPORT ON EMERGENCY AND SHORT-**
21 **TERM FOSTER PLACEMENTS.**

22 (a) STUDY.—The Secretary of Health and Human
23 services, in coordination with the Secretary of the Treas-
24 ury (or the Secretary’s delegate), shall conduct a study
25 on—

1 (1) the costs and financial burdens on foster
2 families who experience multiple emergency and
3 short-term foster placements annually; and

4 (2) challenges to verifying and documenting the
5 placement of children in emergency and short-term
6 placement.

7 For purposes of this subsection, a short-term placement
8 is a placement that lasts less than 1 week.

9 (b) REPORT.—Not later than 1 year after the date
10 of the enactment of this Act, the Secretary of Health and
11 Human Services shall submit to Congress a report on the
12 study conducted under subsection (a).

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