



January 31, 2022

The Honorable Janet Yellen
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

CC:

The Honorable Lily Batchelder
Assistant Secretary for Tax Policy
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Secretary Yellen:

On behalf of the Adoption Tax Credit Working Group (ATCWG), we write to encourage the Department of the Treasury (Treasury) to include support for making the Adoption Tax Credit (ATC) refundable again in its upcoming General Explanations of the Administration's Fiscal Year 2023 Revenue Proposals, also referred to as the Green Book. Restoring refundability would benefit many lower- and middle-income families who do not have sufficient tax liability to currently use the full value of the ATC.

The ATCWG is a national collaboration of more than 80 organizations united by our support and advocacy for the adoption tax credit, based on our knowledge of how important the credit is in encouraging the adoption of children who need families. The organizations that make up the ATCWG represent children and families from every sector of adoption, including adoptions from U.S. foster care, private domestic adoptions, and international adoptions. With our broad representation and involvement in adoption policy and practice issues, we have a unique perspective on the role this tax credit plays for Americans who adopt.

The ATC has a long history of bipartisan support. It originally went into effect in 1997, following passage of the *Small Business and Job Protection Act of 1996* ([P.L. 104-188](#)), to ease some of the costs of adoption for families and individuals. In 2001, Congress improved the ATC through the *Economic Growth and Tax Reconciliation Relief Act of 2001* ([P.L. 107-16](#)) by providing the full amount of the credit for special needs adoptions regardless the amount of qualifying adoption expenses, as well as doubling the value of the credit, indexing it to inflation, and increasing the income threshold to allow more families to claim the credit. Congress made the ATC refundable in 2010 and 2011 as part of the Affordable Care Act in an effort to expand access to adoption for lower-income families. The ATC was made permanent in 2013, but the refundability provision unfortunately was not renewed.

As a result, taxpayers who make less than about \$250,000 per year¹ may be eligible to claim up to \$14,440 per eligible child.² But many families who adopt often only receive a small portion of the credit (if any) because their income tax liability is insufficient, even with the ability to carry forward into future years. To address this issue, bipartisan legislation has been introduced in Congress as the *Adoption Tax Credit Refundability Act of 2021* ([S. 1156](#) / [H.R. 3031](#)). This legislation would restore the refundable portion of the adoption tax credit and extend the full benefits of the credit to lower- and middle-income families.

President Biden has pledged to “rebuild the backbone of the... middle class” as part of the Build Back Better Framework.³ Even before the COVID-19 pandemic, many American families had been struggling with rising costs of living. Making the ATC refundable once more is consistent with the Biden-Harris Administration’s goals and would provide many working and middle-class families with relief from financial hardship and uncertainty as they seek to adopt.

When the ATC was refundable in 2011, 36.2 percent of ATC dollars went to families that had an adjusted gross income of less than \$50,000; in contrast, in 2018, without refundability, 2.0 percent of ATC dollars went to families with an adjusted gross income of less than \$50,000.⁴ Additionally, ATC refundability is a fiscally responsible step, given that each adoption from foster care can save between \$65,000 and \$127,000 when compared to long-term foster care placement.⁵

We thank the Administration for its actions to date in support of working families. The ATCWG, which is composed of more than 80 adoption-focused organizations from across the country, together with a broad coalition of nonprofits, charities, associations, and other organizations, strongly supports the *Adoption Tax Credit Refundability Act of 2021*.

Inclusion of ATC refundability in Treasury’s Green Book will demonstrate the Biden-Harris Administration’s support for making the tax credit more accessible to many lower-income families. With this change, more families could realize their dreams of being able to provide loving forever homes for children in need, regardless of tax liability.

Thank you again for your support of families and your consideration of including this important proposal in the upcoming Green Book.

Sincerely,

Adoption Tax Credit Working Group Executive Committee:

Academy of Adoption & Assisted Reproduction Attorneys

Adopt America Network

¹ <https://crsreports.congress.gov/product/pdf/R/R44745>

² <https://www.irs.gov/newsroom/understanding-the-adoption-tax-credit>

³ <https://www.whitehouse.gov/build-back-better/>

⁴ <https://crsreports.congress.gov/product/pdf/R/R44745>

⁵ R.P. Barth, C.K. Lee, J. Wildfire, and S. Guo, “A Comparison of the Governmental Costs of Long-Term Foster Care and Adoption,” Social Service Review (March 2006)

Christian Alliance for Orphans

Congressional Coalition on Adoption Institute (Secretariat)

Dave Thomas Foundation for Adoption

National Center on Adoption and Permanency

National Council For Adoption

North American Council on Adoptable Children

RESOLVE: The National Infertility Association

Show Hope

Voice for Adoption