

## H.R.1836

### Economic Growth and Tax Relief Reconciliation Act of 2001

(Enrolled Bill (Sent to President))

#### SEC. 202. EXPANSION OF ADOPTION CREDIT AND ADOPTION ASSISTANCE PROGRAMS.

##### (a) IN GENERAL-

(1) ADOPTION CREDIT- Section 23(a)(1) (relating to allowance of credit) is amended to read as follows:

“(1) IN GENERAL- In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter--

“(A) in the case of an adoption of a child other than a child with special needs, the amount of the qualified adoption expenses paid or incurred by the taxpayer, and

“(B) in the case of an adoption of a child with special needs, \$10,000.’.

(2) ADOPTION ASSISTANCE PROGRAMS- Section 137(a) (relating to adoption assistance programs) is amended to read as follows:

“(a) IN GENERAL- Gross income of an employee does not include amounts paid or expenses incurred by the employer for adoption expenses in connection with the adoption of a child by an employee if such amounts are furnished pursuant to an adoption assistance program. The amount of the exclusion shall be--

“(1) in the case of an adoption of a child other than a child with special needs, the amount of the qualified adoption expenses paid or incurred by the taxpayer, and

“(2) in the case of an adoption of a child with special needs, \$10,000.’.

##### (b) DOLLAR LIMITATIONS-

(1) DOLLAR AMOUNT OF ALLOWED EXPENSES-

(A) ADOPTION EXPENSES- Section 23(b)(1) (relating to allowance of credit) is amended--

(i) by striking ‘\$5,000’ and inserting ‘\$10,000’,

(ii) by striking ‘(\$6,000, in the case of a child with special needs)’, and

(iii) by striking ‘subsection (a)’ and inserting ‘subsection (a)(1)(A)’.

(B) ADOPTION ASSISTANCE PROGRAMS- Section 137(b)(1) (relating to

dollar limitations for adoption assistance programs) is amended--

(i) by striking '\$5,000' and inserting '\$10,000', and

(ii) by striking '\$6,000, in the case of a child with special needs)', and

(iii) by striking 'subsection (a)' and inserting 'subsection (a)(1)'.

(2) PHASE-OUT LIMITATION-

(A) ADOPTION EXPENSES- Clause (i) of section 23(b)(2)(A) (relating to income limitation) is amended by striking '\$75,000' and inserting '\$150,000'.

(B) ADOPTION ASSISTANCE PROGRAMS- Section 137(b)(2)(A) (relating to income limitation) is amended by striking '\$75,000' and inserting '\$150,000'.

(c) YEAR CREDIT ALLOWED- Section 23(a)(2) (relating to year credit allowed) is amended by adding at the end the following new flush sentence:

'In the case of the adoption of a child with special needs, the credit allowed under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final.'

(d) REPEAL OF TERMINATIONS-

(1) CHILDREN WITHOUT SPECIAL NEEDS- Paragraph (2) of section 23(d) (relating to definition of eligible child) is amended to read as follows:

'(2) ELIGIBLE CHILD- The term 'eligible child' means any individual who--

'(A) has not attained age 18, or

'(B) is physically or mentally incapable of caring for himself.'

(2) ADOPTION ASSISTANCE PROGRAMS- Section 137 (relating to adoption assistance programs) is amended by striking subsection (f).

(e) ADJUSTMENT OF DOLLAR AND INCOME LIMITATIONS FOR INFLATION-

(1) ADOPTION CREDIT- Section 23 (relating to adoption expenses) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

'(h) ADJUSTMENTS FOR INFLATION- In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(1)(B) and paragraphs (1) and (2)(A)(i) of subsection (b) shall be increased by an amount equal to--

`(1) such dollar amount, multiplied by

`(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting `calendar year 2001' for `calendar year 1992' in subparagraph (B) thereof.'

(2) ADOPTION ASSISTANCE PROGRAMS- Section 137 (relating to adoption assistance programs), as amended by subsection (d), is amended by adding at the end the following new subsection:

`(f) ADJUSTMENTS FOR INFLATION- In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(2) and paragraphs (1) and (2)(A) of subsection (b) shall be increased by an amount equal to--

`(1) such dollar amount, multiplied by

`(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting `calendar year 2001' for `calendar year 1992' in subparagraph (B) thereof.'

(f) CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX-

(1) IN GENERAL- Subsection (b) of section 23 is amended by adding at the end the following new paragraph:

`(4) LIMITATION BASED ON AMOUNT OF TAX- The credit allowed under subsection (a) for any taxable year shall not exceed the excess of--

`(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

`(B) the sum of the credits allowable under this subpart (other than this section) and section 27 for the taxable year.'

(2) CONFORMING AMENDMENTS-

(A) Section 23(c), as amended by section 201(b), is amended-

(i) by striking `section 26(a)' and inserting `subsection (b)(4)', and

(ii) by striking `reduced by the sum of the credits allowable under this subpart (other than this section and sections 24 and 1400C).'

(B) Section 24(b)(3)(B), as added by section 201(b), is amended by striking `this section' and inserting `this section and section 23'.

(C) Sections 26(a)(1), 904(h), and 1400C(d), as amended by section 201(b), are each amended by striking `section 24' and inserting `sections 23 and 24'.

(g) EFFECTIVE DATE-

(1) IN GENERAL- Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2001.

(2) SUBSECTION (a)- The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2002.