

Tuesday, February 7, 2023

House Bill 180

Ways and Means Committee

Income Tax – Income Tax - Subtraction Modification for Adoption Expenses - Alterations

Position: FAVORABLE

The Maryland Association of Resources for Families and Youth (MARFY) is an association of private child caring organizations providing foster care, group homes, and other services through more than 200 programs across Maryland. The members of MARFY represent providers who serve Maryland's most vulnerable children who are in out of home placements due to abuse, neglect or severe mental health, and medical needs. We operate group homes, treatment foster care programs and independent living programs, primarily serving the foster care population as well as the juvenile services population.

The subtraction modification specific to adoption under the Maryland income tax helps qualifying taxpayers offset some of the costs of adopting a child. To give some background, although the credit may be claimed for nearly all types of adoptions (excluding the adoption of a spouse's child), there are some special rules related to claiming the credit for international adoptions and for adoptions of children with special needs. A special needs child for the purposes of the adoption tax incentive does not necessarily mean the child has a medical condition or a disability. Instead, for the purposes of these tax benefits, special needs adoptions are the adoptions of children whom the state child welfare agency considers difficult to place for adoption. (The definition of "special needs" for purposes of adoption tax benefits is largely the same as "special needs" for purposes of the Federal Adoption Assistance Program that is included in Title IV-E of the Social Security Act.) It was found that 81.3% of foster care adoptions (i.e., domestic public adoptions) are special needs adoptions, but few other adoptions are special needs adoptions.¹

Some family's decisions to adopt may not be heavily influenced by financial incentives, as it has to do heavily with personal issues or beliefs. However, the current adoption tax benefits may simply be too small in comparison to the actual costs of adoption to encourage families to adopt.

It is important that children and families do more than survive. They should thrive. Adoption assistance is an important tool to encourage the adoption of children and youth in foster care who cannot return home. In a survey by Children's Rights, 81 percent of pre-adoptive and adoptive parents said that adoption assistance was important to their decision to adopt, and 58 percent said

they could not adopt a foster child without this support that helps them meet the child's special needs. The same study cited inadequate subsidy support as one of the two most critical barriers to adopting from foster careⁱⁱ. Therefore, it is understood that a lack of adoption assistance seriously affects a child's ability to find a permanent family. Solving this issue is critical as adoption provides children with stability, continuity, and long-term family connections; assists children in developing a positive self-image; and provides family support and connections upon which children can rely into adulthood.ⁱⁱⁱ **It is for these reasons, we urge a favorable report on House Bill 180.**

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