

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1221 Session of  
1997

INTRODUCED BY TRUE, FICHTER, SATHER, YOUNGBLOOD, McNAUGHTON,  
S. H. SMITH, NAILOR, M. N. WRIGHT, ROBERTS, COY, TRELLO,  
WALKO, KREBS, BAKER, MELIO, LEDERER, SCHULER, MAITLAND,  
LUCYK, HENNESSEY, JOSEPHS, LYNCH, GEIST, EGOLF, ARMSTRONG,  
LEH, McCALL, CORNELL, OLASZ, MILLER, HERSHEY, BROWNE,  
BATTISTO, ZUG, STERN, CIVERA, SCHRODER, GRUPPO, HUTCHINSON,  
HARHART, TIGUE, BROWN, ZIMMERMAN, SAYLOR, ROHRER, PHILLIPS,  
TANGRETTI, STEVENSON, FLICK, COLAFELLA, PETRARCA,  
E. Z. TAYLOR, RAYMOND, SERAFINI, BENNINGHOFF AND SHANER,  
APRIL 8, 1997

REFERRED TO COMMITTEE ON FINANCE, APRIL 8, 1997

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An  
2 act relating to tax reform and State taxation by codifying  
3 and enumerating certain subjects of taxation and imposing  
4 taxes thereon; providing procedures for the payment,  
5 collection, administration and enforcement thereof; providing  
6 for tax credits in certain cases; conferring powers and  
7 imposing duties upon the Department of Revenue, certain  
8 employers, fiduciaries, individuals, persons, corporations  
9 and other entities; prescribing crimes, offenses and  
10 penalties," providing for a child adoption tax credit.

11 The General Assembly of the Commonwealth of Pennsylvania  
12 hereby enacts as follows:

13 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as  
14 the Tax Reform Code of 1971, is amended by adding a section to  
15 read:

16 Section 315.1. Child Adoption Tax Credit.--(a) There shall  
17 be allowed as a credit against the tax imposed by this article  
18 the amount of the qualified adoption expenses paid or incurred

1 by a taxpayer. The credit under this section shall be allowed:

2 (1) for the taxable year following the taxable year during  
3 which the expenses are paid or incurred; or

4 (2) in the case of expenses which are paid or incurred  
5 during the taxable year in which the adoption becomes final, for  
6 such taxable year.

7 (b) The aggregate amount of credit allowed under subsection  
8 (a) for all taxable years with respect to the adoption of a  
9 child by the taxpayer shall not exceed one thousand dollars  
10 (\$1,000).

11 (c) No credit shall be allowed under subsection (a) for:

12 (1) any qualified adoption expenses for which a deduction or  
13 credit is allowed under any provision of the Internal Revenue  
14 Code; or

15 (2) any qualified adoption expenses to the extent that the  
16 funds for the expenses are received under any Federal, State or  
17 local program.

18 (d) No credit allowed under this section shall be carried  
19 forward.

20 (e) For purposes of this section:

21 "Child with special needs" means any child if:

22 (1) a state has determined that the child cannot or should  
23 not be returned to the home of the child's parents;

24 (2) such state has determined that there exists with respect  
25 to the child a specific factor or condition, such as ethnic  
26 background, age or membership in a minority or sibling group, or  
27 factors such as medical conditions or physical, mental or  
28 emotional handicaps because of which it is reasonable to  
29 conclude that such child cannot be placed with adoptive parents  
30 without providing adoption assistance; and

1     (3) such child is a citizen or resident of the United States  
2 as defined in section 217(h)(3) of the Internal Revenue Code.

3     "Eligible child" means:

4     (1) an individual who has not attained eighteen years of age  
5 or who is physically or mentally incapable of caring for  
6 himself; or

7     (2) in the case of qualified adoption expenses paid or  
8 incurred after December 31, 2001, who is a child with special  
9 needs.

10    "Qualified adoption expenses" means reasonable and necessary  
11 adoption fees, court costs, attorney fees and other expenses:

12    (1) which are directly related to, and the principal purpose  
13 of which is for, the legal adoption of an eligible child by the  
14 taxpayer;

15    (2) which are not incurred in violation of Federal or State  
16 law or in carrying out any surrogate parenting arrangement;

17    (3) which are not expenses in connection with the adoption  
18 by an individual of a child who is the child of such  
19 individual's spouse; and

20    (4) which are not reimbursed under an employer program or  
21 otherwise.

22    (f) In the case of an adoption of a child who is not a  
23 citizen or resident of the United States as defined in section  
24 217(h)(3) of the Internal Revenue Code:

25    (1) subsection (a) shall not apply to qualified adoption  
26 expenses with respect to the adoption unless the adoption  
27 becomes final; and

28    (2) the expenses which are paid or incurred before the  
29 taxable year in which such adoption becomes final shall be taken  
30 into account under this section as if the expenses were paid or

1 incurred during such year.

2 (g) The department shall prescribe such regulations as may  
3 be necessary to carry out this section.

4 Section 2. This act shall apply to taxable years beginning  
5 on or after January 1, 1998, and to qualified adoption expenses  
6 incurred or paid after the effective date of this act.

7 Section 3. This act shall take effect immediately.