

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1985

To amend the Internal Revenue Code of 1986 to exclude from gross income employee and military adoption assistance benefits and withdrawals from IRAs for certain adoption expenses.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 30, 1995

Mr. KENNEDY of Massachusetts (for himself, Mr. BURTON of Indiana, Mr. SMITH of New Jersey, Mr. MATSUI, Mrs. MALONEY, Mr. UNDERWOOD, Mr. EHLERS, Mr. BUNNING of Kentucky, Mr. THORNBERRY, Mr. BARTON of Texas, Mr. BRYANT of Tennessee, Mr. OBERSTAR, Mr. FROST, Mr. DELLUMS, Mr. DORNAN, Mr. ACKERMAN, Mr. JACOBS, Mr. STUPAK, Mr. SOLOMON, Mr. EVANS, Mr. PETE GEREN of Texas, Mr. HASTINGS of Florida, Mr. SERRANO, Mr. PAYNE of Virginia, Mr. FATTAH, and Mr. BARRETT of Wisconsin) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income employee and military adoption assistance benefits and withdrawals from IRAs for certain adoption expenses.

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 “Adoption Incentives  
5 Act of 1995”.

1 **SEC. 2. EXCLUSION OF ADOPTION ASSISTANCE.**

2 (a) IN GENERAL.—Part III of subchapter B of chap-  
3 ter 1 of the Internal Revenue Code of 1986 is amended  
4 by redesignating section 137 as section 138 and by insert-  
5 ing after section 136 the following new section:

6 **“SEC. 137. ADOPTION ASSISTANCE.**

7 “(a) IN GENERAL.—Gross income of an employee  
8 does not include employee adoption assistance benefits, or  
9 military adoption assistance benefits, received by the em-  
10 ployee with respect to the employee’s adoption of a child.

11 “(b) DEFINITIONS.—For purposes of this section—

12 “(1) EMPLOYEE ADOPTION ASSISTANCE BENE-  
13 FITS.—The term ‘employee adoption assistance ben-  
14 efits’ means payment by an employer of qualified  
15 adoption expenses with respect to an employee’s  
16 adoption of a child, or reimbursement by the em-  
17 ployer of such qualified adoption expenses paid or  
18 incurred by the employee in the taxable year.

19 “(2) EMPLOYER AND EMPLOYEE.—The terms  
20 ‘employer’ and ‘employee’ have the respective mean-  
21 ings given such terms by section 127(c).

22 “(3) MILITARY ADOPTION ASSISTANCE BENE-  
23 FITS.—The term ‘military adoption assistance bene-  
24 fits’ means benefits provided under section 1052 of  
25 title 10, United States Code, or section 514 of title  
26 14, United States Code.

1 “(4) QUALIFIED ADOPTION EXPENSES.—

2 “(A) IN GENERAL.—The term ‘qualified  
3 adoption expenses’ means reasonable and nec-  
4 essary adoption fees, court costs, attorney fees,  
5 and other expenses—

6 “(i) which are directly related to, and  
7 the principal purpose of which is for, the  
8 legal adoption of an eligible child by the  
9 taxpayer, and

10 “(ii) which are not incurred in viola-  
11 tion of State or Federal law or in carrying  
12 out any surrogate parenting arrangement.

13 “(B) ELIGIBLE CHILD.—The term ‘eligible  
14 child’ means any individual—

15 “(i) who has not attained age 18 as of  
16 the time of the adoption, or

17 “(ii) who is physically or mentally in-  
18 capable of caring for himself.

19 “(c) COORDINATION WITH OTHER PROVISIONS.—  
20 The Secretary shall issue regulations to coordinate the ap-  
21 plication of this section with the application of any other  
22 provision of this title which allows a credit or deduction  
23 with respect to qualified adoption expenses.”

24 (b) CLERICAL AMENDMENT.—The table of sections  
25 for part III of subchapter B of chapter 1 of such Code

1 is amended by striking the item relating to section 137  
2 and inserting the following new items:

“Sec. 137. Adoption assistance.

“Sec. 138. Cross references to other Acts.”

3 (c) EFFECTIVE DATE.—The amendments made this  
4 section shall apply to taxable years beginning after De-  
5 cember 31, 1995.

6 **SEC. 3. WITHDRAWAL FROM IRA FOR ADOPTION EXPENSES.**

7 (a) IN GENERAL.—Subsection (d) of section 408 of the  
8 Internal Revenue Code of 1986 is amended by adding at  
9 the end the following new paragraph:

10 “(8) QUALIFIED ADOPTION EXPENSES.—

11 “(A) IN GENERAL.—Any amount which is  
12 paid or distributed out of an individual retire-  
13 ment plan of the taxpayer, and which would  
14 (but for this paragraph) be includible in gross  
15 income, shall be excluded from gross income to  
16 the extent that—

17 “(i) such amount exceeds the sum  
18 of—

19 “(I) the amount excludable under  
20 section 137, and

21 “(II) any amount allowable as a  
22 credit under this title with respect to  
23 qualified adoption expenses; and

1           “(ii) such amount does not exceed the  
2           qualified adoption expenses paid or in-  
3           curred by the taxpayer during the taxable  
4           year.

5           “(B) QUALIFIED ADOPTION EXPENSES.—  
6           For purposes of this paragraph, the term  
7           ‘qualified adoption expenses’ has the meaning  
8           given such term by section 137, except that  
9           such term shall not include any expense in con-  
10          nection with the adoption by an individual of a  
11          child who is the child of such individual’s  
12          spouse.”

13          (b) EFFECTIVE DATE.—The amendment made by  
14          this section shall apply to taxable years beginning after  
15          December 31, 1995.

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