

<h1>ACF</h1> <p>Administration for Children and Families</p>	<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b> <b>Administration for Children, Youth and Families</b>	
	<b>1. Log No:</b> ACYF-IM-87-06	<b>2. Issuance Date:</b> 2/20/87
	<b>3. Originating Office:</b> Formula Grants Branch, MSD	
	<b>4. Key Words:</b> Title IV-E-Adoption Assistance Non-Recurring Expenses of Adoption, Tax Reform Act of 1986	

## INFORMATION MEMORANDUM

**TO:** STATE AGENCIES ADMINISTERING OR SUPERVISING THE ADMINISTRATION OF TITLE IV-E OF THE SOCIAL SECURITY ACT

**SUBJECT:** TITLE IV-E ADOPTION ASSISTANCE STATUTORY CHANGES - NON-RECURRING EXPENSES

**LEGAL AND RELATED REFERENCES:** Tax Reform Act of 1986; Section 473 of the Social Security Act

**PURPOSE:** The purpose of this Information Memorandum is to provide information on changes in the Title IV-E-Adoption Assistance Program that require States to reimburse parents for the non-recurring expenses of adopting a special needs child. Attached is a copy of the amended law (title IV-E) and the legislative history of the new provision.

**BACKGROUND:** Prior to the passage of the Tax Reform Act of 1986, the tax law provided for an itemized income tax deduction for up to \$1,500 of "non-recurring expenses," such as adoption fees and expenses incurred in conjunction with the adoption of a child with special needs. In addition, States were prohibited from claiming Federal matching funds under Title IV-E for those "non-recurring expenses."

**INFORMATION:** Adoption related expenditures made by the adoptive parent(s) after December 31, 1986 are no longer allowable expense deductions under the Federal Income Tax Code. The Tax Reform Act of 1986 amended the Title IV-E-Adoption Assistance Program to provide 50 per cent Federal matching funds as State administrative costs for the nonrecurring expenses of the adoption of any child with special needs (as defined in section 473) who has been placed for adoption in accordance with applicable State and local law. Section 473 of the Social Security Act requires each State having an approved title IV-E plan to provide financial assistance in "non-recurring expenses" to all parent(s) adopting such children.

Children do not have to be AFDC, Title IV-E-Foster Care or SSI eligible in order for the State to claim the non-recurring costs as an adoption assistance expense. Section 473 defines allowable

"nonrecurring adoption expenses" as "... reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are directly related to the legal adoption of a child with special needs and which are not incurred in violation of State or Federal laws."

The Department is reviewing the amended legislation, regulations and policies, in order to determine whether further clarifications need to be issued. Attached for your information and use is a copy of the revised title IV-E of the Social Security Act and the legislative history of the new provision on the "non-recurring expenses" of adoption.

### **Claims**

As of January 1, 1987, States may claim the "non-recurring expenses" as administrative costs. States claiming these "non-recurring expenses" should claim the expenditures as Title IV-E-Adoption Assistance administrative expenditures and should footnote these costs, indicating the amounts claimed for them and the number of children for whom they are claimed.

**EFFECTIVE DATE:** January 1, 1987

**INQUIRIES TO:** Regional Administrators, Regions I-X

Dodie Livingston  
Commissioner

### **Attachment:**

Title IV-E of the Social Security Act, as amended; and, House of Representatives Reports No. 99-841 and 99-426 on section 1711 of the Tax Reform Act of 1986 ("Non-Recurring Expenses")  
*Not available online*