



Protect Adopting Families from Audits Act

Each year, between [one and two million American families](#) are waiting to adopt a child, and many families struggle to navigate this burdensome and expensive process. One burden that adopting parents may face is an increased audit risk from the Internal Revenue Service (IRS). According to the most recent available data from the IRS [Taxpayer Advocate Service \(TAS\)](#), [nearly 70%](#) of those claiming the adoption tax credit in the 2012 filing season were audited, a rate which far exceeds the average audit rate of [0.7% that year](#). On average, these audits took 126 days, meaning potential delayed refunds and stress for families. Few of these audits are credible; according to the TAS, “of the \$668.1 million in adoption credit claims in tax year 2011...the IRS only disallowed \$11 million — or one and one-half percent — in adoption credit claims.”

Since 2012, changes to the refundability of the adoption tax credit have come into effect which should have reduced auditing levels. However, because the IRS does not regularly report these auditing rates, Congress cannot ensure adopting families are protected from excessive audits or verify that the changes made have adequately addressed this problem. The [GAO published a report](#) in 2011 with recommendations detailing how the IRS could alleviate excessive audits; the IRS did not adopt the full set of these recommendations. Additionally, passage of the Inflation Reduction Act raises concerns that audit risks may increase for adoptive families.

The *Protect Adopting Families from Audits Act* would:

- Require transparency into the audit rates of those who have received the adoption tax credit since 2008,
- Require an annual report on adoption tax credit audit rates through 2032, which would provide insight into how the Inflation Reduction Act impacts adoption tax credit audit rates, and
- Provide transparency into how the IRS audits personal tax credits differently depending on whether they are refundable or non-refundable.

This data will be a crucial tool in our efforts to simplify the adoption process and protect families. This bill enjoys support from the National Council For Adoption, the North American Council on Adoptable Children, Raise the Future, and the Academy of Adoption & Assisted Reproduction Attorneys.