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[Document affected by Public Law 107-16 Section 202(a)(2)]
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[Document affected by Public Law 107-16 Section 202(d)(2)]
[Document affected by Public Law 107-16 Section 202(e)(2)]
[Document affected by Public Law 107-16 Section 431(c)(1)]
[CITE: 26USC137]

TITLE 26--INTERNAL REVENUE CODE

Subtitle A--Income Taxes

CHAPTER 1--NORMAL TAXES AND SURTAXES

Subchapter B--Computation of Taxable Income

PART III--ITEMS SPECIFICALLY EXCLUDED FROM GROSS INCOME

Sec. 137. Adoption assistance programs

(a) In general

Gross income of an employee does not include amounts paid or expenses incurred by the employer for qualified adoption expenses in connection with the adoption of a child by an employee if such amounts are furnished pursuant to an adoption assistance program.

(b) Limitations

(1) Dollar limitation

The aggregate of the amounts paid or expenses incurred which may be taken into account under subsection (a) for all taxable years with respect to the adoption of a child by the taxpayer shall not exceed \$5,000 (\$6,000, in the case of a child with special needs).

(2) Income limitation

The amount excludable from gross income under subsection (a) for any taxable year shall be reduced (but not below zero) by an amount which bears the same ratio to the amount so excludable (determined without regard to this paragraph but with regard to paragraph (1)) as--

- (A) the amount (if any) by which the taxpayer's adjusted gross income exceeds \$75,000, bears to
- (B) \$40,000.

(3) Determination of adjusted gross income

For purposes of paragraph (2), adjusted gross income shall be determined--

- (A) without regard to this section and sections 221, 911,

931, and 933, and

(B) after the application of sections 86, 135, 219, and 469.

(c) Adoption assistance program

For purposes of this section, an adoption assistance program is a separate written plan of an employer for the exclusive benefit of such employer's employees--

(1) under which the employer provides such employees with adoption assistance, and

(2) which meets requirements similar to the requirements of paragraphs (2), (3), (5), and (6) of section 127(b).

An adoption reimbursement program operated under section 1052 of title 10, United States Code (relating to armed forces) or section 514 of title 14, United States Code (relating to members of the Coast Guard) shall be treated as an adoption assistance program for purposes of this section.

(d) Qualified adoption expenses

For purposes of this section, the term ``qualified adoption expenses'' has the meaning given such term by section 23(d) (determined without regard to reimbursements under this section).

(e) Certain rules to apply

Rules similar to the rules of subsections (e), (f), and (g) of section 23 shall apply for purposes of this section.

(f) Termination

This section shall not apply to amounts paid or expenses incurred after December 31, 2001.

(Added Pub. L. 104-188, title I, Sec. 1807(b), Aug. 20, 1996, 110 Stat. 1901; amended Pub. L. 105-34, title XVI, Sec. 1601(h)(2)(C), Aug. 5, 1997, 111 Stat. 1092; Pub. L. 105-277, div. J, title IV, Sec. 4003(a)(2)(C), Oct. 21, 1998, 112 Stat. 2681-908.)

Prior Provisions

A prior section 137 was renumbered section 139 of this title.

Amendments

1998--Subsec. (b)(3)(A). Pub. L. 105-277 inserted ``221,'' after ``and sections''.

1997--Subsec. (b)(1). Pub. L. 105-34 substituted ``of the amounts paid or expenses incurred which may be taken into account'' for ``amount excludable from gross income''.

Effective Date of 1998 Amendment

Amendment by Pub. L. 105-277 effective as if included in the provision of the Taxpayer Relief Act of 1997, Pub. L. 105-34, to which such amendment relates, see section 4003(1) of Pub. L. 105-277, set out as a note under section 86 of this title.

Effective Date of 1997 Amendment

Amendment by Pub. L. 105-34 effective as if included in the provisions of the Small Business Job Protection Act of 1996, Pub. L. 104-188, to which it relates, see section 1601(j) of Pub. L. 105-34, set out as a note under section 23 of this title.

Effective Date

Section applicable to taxable years beginning after Dec. 31, 1996, see section 1807(e) of Pub. L. 104-188, set out as a note under section 23 of this title.

Section Referred to in Other Sections

This section is referred to in sections 23, 86, 135, 219, 221, 414, 469, 1016, 6039D of this title.