DESCRIPTION OF THE CHAIRMAN’S AMENDMENT
IN THE NATURE OF A SUBSTITUTE TO H.R. 586,
A BILL TO EXPAND THE EXCLUSION FROM INCOME FOR CERTAIN
FOSTER CARE PAYMENTS
Scheduled for a Markup by the
House Committee on Ways and Means on May 9, 2001

Present Law

If certain requirements are satisfied, an exclusion from gross income is provided for qualified foster care payments paid to a foster care provider by either (1) a State or local government; or (2) a tax-exempt placement agency. Qualified foster care payments are difficulty of care payments and amounts paid for caring for a qualified foster care individual in the foster care provider’s home. A qualified foster care individual is an individual living in a foster care family home in which the individual was placed by: (1) an agency of the State or local government (regardless of the individual’s age at the time of placement); or (2) a tax-exempt placement agency licensed by the State or local government (if such individual was under the age of 19 at the time of placement).

Description of Proposal

The Chairman’s amendment in the nature of substitute to H.R. 586 would add a short title to the bill (the “Fairness for Foster Care Families Act”) and make two modifications to the present-law exclusion for qualified foster care payments. First, the proposal would expand the definition of qualified foster care payments to include payments by any placement agency which is licensed or certified by a State or local government, or an entity designated by a State or local government to make payments to providers of foster care. Second, the proposal would expand the definition of a qualified foster care individual by including foster care individuals placed by a qualified foster care placement agency (regardless of the individual’s age at the time of placement).

Effective Date

The proposal would be effective for taxable years beginning after December 31, 2001.

1. A difficulty of care payment is a payment designated by the person making such payment as compensation for providing the additional care of a qualified foster care individual in the home of the foster care provider which is required by reason of a physical, mental, or emotional handicap of such individual and with respect to which the State has determined that there is a need for additional compensation.