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Isaac M. O'Bannon • Oct. 21, 2014



Taxpayers who adopt a child do more than open their hearts – they also open their opportunities to take advantage of tax credits.

“November is National Adoption Month, so we want to highlight tax provisions that provide significant tax credits for adoptive parents,” says John Ams, executive vice president of the [National Society of Accountants](#) (NSA).

NSA reports that for 2014 adoptions (typically to be claimed in early 2015) the federal credit maxes out at \$13,190 per child.

This year's credit begins to phase out for families with annual modified adjusted

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circumstances to exclude from their federal adjusted gross income certain cash or other adoption benefits from their private-sector employers to cover qualifying adoption expenses. (See IRS adoption guidelines at [www.irs.gov/taxtopics/tc607.html](http://www.irs.gov/taxtopics/tc607.html).)

## Calculations and filing

NSA notes that the amount of the adoption tax credit you receive depends on your federal income tax liability in 2014 (and the next five years). In one year, you can use as much of the credit as the full amount of your federal income tax liability.

You have six years (the year you first claim the credit plus five additional years) to use the credit.

You claim the expenses with IRS Form 8839, "Qualified Adoption Expenses." See a 2013 copy at [www.irs.gov/pub/irs-pdf/f8839.pdf](http://www.irs.gov/pub/irs-pdf/f8839.pdf). Get the newest form (when available) at an IRS office or by calling 800-829-3676.

## Conditions

An eligible child must be under 18 years old, or be physically or mentally incapable of caring for himself or herself.

The credit is for all adoptions other than step-parent adoptions. These credits are also non-refundable as of now, meaning you receive a refund of federal income taxes only up to the amount of taxes you otherwise had due. Adoption lobbyists are working to make the credit refundable, meaning you could receive one regardless of your tax liability.

According to the IRS, qualified adoption expenses for both the credit and the exclusion include reasonable and necessary adoption fees, court costs, attorney fees,

traveling expenses (including amounts spent for meals and lodging while away from

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For expenses paid before the adoption is final, you take the adoption credit in the year after your expenses were paid. For expenses paid in the same year that the adoption is final, you take the adoption credit in the same year. For expenses paid in the year after the adoption is final, you take the adoption credit in the year the expenses were paid.

If you attempt to adopt a U.S. child, you may be able to claim the credit even if the adoption does not become final. If you adopt a U.S. child with special needs, you may qualify for the full amount of the adoption credit even if you paid few or no adoption-related expenses if the adoption is final.

### **Definitions and additional requirements**

A child is a “U.S. child” if a citizen or resident of the United States (including U.S. possessions) at the time the adoption attempt began.

“Special needs” means hard to place, not necessarily a disability or medical condition. Often these children are older, waiting to be adopted with their brothers or sisters, or have a disability. Other qualifications for this category include that a state (including the District of Columbia) has determined that the child cannot or should not return to the birth parents’ home and that the child will not be adopted unless assistance is provided to the adoptive parents.

The status you use to file your tax return influences your adoption credit. For example, if you file a return as single or as a qualifying widow(er) with dependent child, you are eligible to claim the adoption credit or the exclusion.

Generally, if you are married, you must file a joint return to claim the adoption credit or exclusion. A married individual considered unmarried for tax purposes, as well as a single individual, may be eligible to file as head of household under some circumstances.

If you file as head of household, you are eligible to claim the adoption credit or the

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To apply for an ATIN, you must know the child's name and birth information and the placement agency. Use Form W-7A, "Application for Taxpayer Identification Number for Pending U.S. Adoptions." You can download a copy at <http://www.irs.gov/pub/irs-pdf/fw7a.pdf> or get a copy at an IRS walk-in office or by calling (800) 829-1040.

You cannot file for an Earned Income Tax Credit (EITC) using the adopted child as a qualifying child until the latter has an SSN. After receiving the SSN, however, you can file an amended tax return claiming the EITC with the qualifying adopted child.

Benefits • Income Tax

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