



Adoption Tax Credit Permanent

The expiration of the Adoption Tax Credit at the end of 2012 would have removed an important financial incentive for families adopting from foster care.

The tax credit allows parents of children adopted from foster care to reduce the amount they owe in federal income taxes. If the child adopted is determined by a State to have special needs the maximum amount of credit may be claimed. If the child holds an Adoption Assistance Agreement that is proof that the child was determined to be special needs.

One change that was made to how the Adoption Tax Credit is administered is that it is no longer a refundable tax credit. An individual who owes no federal income tax may not claim the Adoption Tax Credit. However, the tax credit can reduce an individual's taxes by up to \$12,650. Any credit that exceeds what is owed may be carried forward.

Other eligibility qualifications:

- If the taxpayer's modified adjusted gross income is more than \$189,710, their credit is reduced.
- If the taxpayer's modified adjusted gross income is \$229,710 or more, they cannot take the credit.

Taxpayers who plan to claim the adoption credit will not be able to file their return until late February or early March—the IRS is still updating their computer systems due to the late legislation. An announcement will be placed on <http://www.irs.gov/> when the Service is able to process the Form 8839, Qualified Adoption Expenses.

Form 1040 (Federal Tax Return) and the Form 8839 (Qualified Adoption Expenses) must be mailed to the IRS. The Service was unable to convert the Form 8839 to an electronic format this year.

The Internal Revenue Service (IRS) has more information and required forms, link: <http://www.irs.gov/taxtopics/tc607.html>

FAQs on the Adoption Tax Credit, link: <http://adoptiontaxcredit.org/faqs/>