The 2012 Adoption Tax Credit

If you adopted a child in 2012, you may be eligible for an adoption tax credit of up to $12,650 for each child you adopted. The tax credit can be used to reduce the amount you owe in federal income taxes.

WHO QUALIFIES?

- Taxpayers can qualify for the credit if they adopt a child with special needs. Children who receive adoption assistance (such as AAP payments) are considered children with special needs.

- Taxpayers can also qualify for the credit if they adopt a child and have qualified adoption related expenses.

WHAT IS THE AMOUNT OF THE CREDIT I QUALIFY FOR?

- Taxpayers who adopt a special needs child are entitled to claim the full amount of the adoption credit (up to $12,650) without regard to any adoption expenses.

- Taxpayers who adopted a child and who had qualifying adoption expenses can be credited for the amount that was spent on qualifying adoption expenses up to the maximum allowed amount of the credit.

- Taxpayers with a modified adjusted gross income (modified AGI) of $189,710-$229,710 will be phased out of the tax credit.

CLAIMING THE CREDIT:

- Taxpayers who adopt a child with special needs can claim the credit in the year the adoption became final. Taxpayers will need to include a copy of their adoption order and a copy of the state determination of special needs (i.e., a copy of their AAP Agreement).

- For taxpayers claiming the credit based on qualifying adoption expenses, the year in which the credit can be taken will depend on when the expenses were incurred.

- Taxpayers who claim the credit when filing their 2012 income taxes use what they can to offset any taxes they otherwise would have owed that year. Any amount of the credit that remains can be carried forward for up to five additional years until the credit is used up or time runs out.

HOW TO LEARN MORE?

- For more information, please contact a tax attorney, tax preparer, accountant, or the IRS (1-800-829-1040; www.irs.gov).

- Taxpayers can meet with an IRS representative in person at their local Taxpayer Assistance Center (TAC) and may be eligible for free tax preparation assistance if they qualify for the Earned Income Tax Credit or their income is $50,000.00 or less. The number for the Los Angeles TAC is (213) 576-3009. For a list of TACs throughout the United States see http://www.irs.gov/localcontacts/index.html or call the IRS at 1-800-829-1040.

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1 This flyer was last updated March 2012.

The information contained in this handout on the Adoption Tax Credit is for general information purposes only and is not legal advice. Readers should consult a tax attorney, accountant, tax preparer or other tax expert regarding their particular situation and tax return. This handout is not intended to be used, and may not be used, for the purpose of avoiding IRS penalties.

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