The Adoption Tax Credit
For Adoptions Finalized from January 1, 2005 - December 31, 2009

If you adopted a child between January 1, 2005 – December 31, 2009, you may benefit from a 2010 change in tax law. If you adopted a child from 2010 – present you can find an informational flyer based on the year you adopted on the Public Counsel website at http://www.publiccounsel.org/practice_areas/childrens_rights.

WHAT IS THE ADOPTION TAX CREDIT?

- The adoption tax credit is an amount which can be subtracted from your tax liability.
- Taxpayers can claim the credit for each child they adopted.
- Below is a list of the credit amounts available for adoptions from 2005 through 2009.

<table>
<thead>
<tr>
<th>Year Adoption Finalized</th>
<th>Credit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$10,630</td>
</tr>
<tr>
<td>2006</td>
<td>$10,960</td>
</tr>
<tr>
<td>2007</td>
<td>$11,390</td>
</tr>
<tr>
<td>2008</td>
<td>$11,650</td>
</tr>
<tr>
<td>2009</td>
<td>$12,150</td>
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</tbody>
</table>

- For adoptions in 2010 and 2011, the adoption tax credit was made refundable, meaning adoptive parents could claim the credit even if they owed no taxes for the credit to offset.

- **As a result of the 2010 adoption tax credit, taxpayers who finalized their adoption between 2005 and 2009 may also be eligible for a refund.**
  - If the taxpayer previously claimed the credit and in 2010 had remaining credit in a carry forward account, that remaining credit can be refunded to them and spent as they see fit. Amended tax returns for 2010 and/or previous years may need to be filed.
  - Taxpayers who adopted in 2005 or later but who have never filed for a credit may also be eligible for a refund but amended tax returns will need to be filed.

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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.
WHO QUALIFIES?

- Taxpayers can qualify for the credit if they adopted an eligible child (other than a stepchild) with special needs.

  IMPORTANT: Children who are adopted out of foster care and who receive adoption assistance or subsidy benefits, including Adoption Assistance Program (AAP) payments, are considered children with special needs. When claiming the credit, taxpayers should 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).

- Taxpayers can also qualify for the credit if they adopted an eligible child (other than a stepchild) and paid qualifying adoption related expenses (including reasonable and necessary expenses directly related to, and for the principal purpose of, the legal adoption of an eligible child, such as adoption fees, court costs, attorney fees, and traveling expenses).

HOW MUCH CREDIT DO I QUALIFY FOR?

- Taxpayers who adopt a special needs child are entitled to claim the full amount of the adoption credit without regard to any adoption expenses.

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

- Depending on a taxpayer’s modified adjusted gross income (modified AGI), the credit may be reduced or eliminated.

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; www.irs.gov/taxtopics/tc607.html).

- 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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