



IRS Tax Tip 2015-35: Top Ten Facts about Adoption Tax Benefits

Internal Revenue Service (IRS) sent this bulletin at 03/10/2015 09:00 AM EDT



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March 10, 2015

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Top Ten Facts about Adoption Tax Benefits

If you adopted or tried to adopt a child in 2014, you may qualify for a tax credit. If your employer helped pay for the costs of an adoption, you may be able to exclude some of your income from tax. Here are ten things you should know about adoption tax benefits.

- 1. Credit or Exclusion.** The credit is nonrefundable. This means that the credit may reduce your tax to zero. If the credit is more than your tax, you can't get any additional amount as a refund. If your employer helped pay for the adoption through a written qualified adoption assistance program, you may qualify to exclude that amount from tax.
- 2. Maximum Benefit.** The maximum adoption tax credit and exclusion for 2014 is \$13,190 per child.
- 3. Credit Carryover.** If your credit is more than your tax, you can carry any unused credit forward. This means that if you have an unused credit in 2014, you can use it to reduce your taxes for 2015. You can do this for up to five years, or until you fully use the credit, whichever comes first.
- 4. Eligible Child.** An eligible child is under age 18. This rule does not apply to persons who are

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physically or mentally unable to care for themselves.

5. Qualified Expenses. Adoption expenses must be directly related to the adoption of the child and be reasonable and necessary. Types of expenses that can qualify include adoption fees, court costs, attorney fees and travel.

6. Domestic or Foreign Adoptions. In most cases, you can claim the credit whether the adoption is domestic or foreign. However, the timing rules for which expenses to include differ between the two types of adoption.

7. Special Needs Child. If you adopted an eligible U.S. child with special needs and the adoption is final, a special rule applies. You may be able to take the tax credit even if you didn't pay any qualified adoption expenses.

8. No Double Benefit. Depending on the adoption's cost, you may be able to claim both the tax credit and the exclusion. However, you can't claim both a credit and exclusion for the same expenses. This rule prevents you from claiming both tax benefits for the same expense.

9. Income Limits. The credit and exclusion are subject to income limitations. The limits may reduce or eliminate the amount you can claim depending on the amount of your income.

10. IRS Free File. You can use IRS Free File to prepare and e-file your federal tax return for free. File [Form 8839](#), Qualified Adoption Expenses, with your Form 1040. Free File is only available on [IRS.gov/freefile](https://www.irs.gov/freefile).

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Additional IRS Resources:

- [Tax Topic 607](#) – Adoption Credit and Adoption Assistance Programs

IRS YouTube Video:

- *Welcome to Free File* – [English](#)



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