

ADOPTION TAX CREDIT INFORMATION

Please note that I am not an accountant. Please seek the assistance of an accountant for purposes of filing for the adoption tax credit. Thanks

Adoption Tax Credit 2018

Find Answers ⓘ Adoption Tax Credit ⓘ

Claiming the Federal Adoption Tax Credit for 2018

Updated October 2018

- For more about the adoption tax credit, see our main page on the subject and our FAQs
- If you finalized your adoption in a year other than 2018, please use the links in the menu to go to the page of the year that you adopted.

For adoptions finalized* in 2018, the adoption tax credit is up to \$13,810 per child. The 2018 adoption tax credit is *not* a refundable credit, which means you only benefit from the credit if you have federal income tax liability (*see below*).

**Please note that prospective adopters who have non-finalized US adoptions may be able to claim an adoption tax credit before their adoptions are finalized. See the main adoption tax credit page for more on non-finalized US adoptions.*

The credit is a one-time credit *for each child*, and the credit for 2018 adoptions should be claimed when you file taxes for 2018 (typically in early 2019).

To be eligible for the credit:

- *You have adopted a child other than a stepchild*
- And the child must be under 18 (or be physically or mentally unable to take care of him or herself).

How Does My Income Affect My Benefit?

How much you will benefit from the credit depends on your income and federal income tax liability—which is the amount you are responsible for in federal income taxes. Those

Learn More

[Adoption Tax Credit 2018](#)

[Adoption Tax Credit 2017](#)

[Adoption Tax Credit 2016](#)

[Adoption Tax Credit 2015](#)

[Adoption Tax Credit 2014](#)

[Adoption Tax Credit 2012 and 2013](#)

[Adoption Tax Credit FAQs](#)

[IRS Forms Related to the Adoption Credit](#)

[Adoption Tax Credit Webinar](#)

[Advocate for Refundable Adoption Credit](#)

\$207,140 to \$247,140 can claim a portion of the credit.

The Amount of Credit to Be Claimed

Special Needs Adoptions

If you finalized in 2018 the adoption of a child that the state has determined to have special needs (*meaning the child receives adoption assistance/adoption subsidy benefits*), you can claim the maximum credit of \$13,810 as your qualified adoption expenses—whether or not you had any expenses. (This is not, though, the amount will necessarily be able to use.)

For purposes of the adoption tax credit, an adoption is considered a special needs adoption if a US child adopted from foster care (and some private domestic adoptions) receives adoption subsidy or adoption assistance benefits (which can include a monthly payment, Medicaid, or reimbursement of nonrecurring expenses). The instructions for the 2017 tax credit (the 2018 instructions aren't out yet) explain that to be considered a child with special needs, the child must meet all three of the following characteristics:

- "The child was a citizen or resident of the United States or its possessions at the time the adoption effort began (US child).
- A state (including the District of Columbia) has determined that the child cannot or should not be returned to his or her parents' home.
- The state has determined that the child will not be adopted unless assistance is provided to the adoptive parents. Factors used by states to make this determination include:
 - The child's ethnic background and age,
 - Whether the child is a member of a minority or sibling group, and
 - Whether the child has a medical condition or a physical, mental, or emotional handicap."

For purposes of the adoption tax credit, a child's having a disability does *not* mean it is a special needs adoption. No child adopted internationally is considered special needs for the adoption tax credit. Not even every child adopted from foster care is considered special needs (about 10 percent of children adopted from care do not receive adoption assistance support). **In our experience, the only adoptions that are considered special needs for purposes of the adoption tax credit are those where the families receives benefits from the adoption assistance/adoption subsidy program.**

Bottom line, if your child does not receive adoption subsidy/adoption assistance benefits, you will likely have to have qualified adoption expenses to claim the adoption tax credit.

Example — A woman adopts three of her grandchildren from foster care and the state paid all of the fees. All three children receive monthly adoption assistance benefits and thus these are considered special needs adoptions. The grandmother earns less than \$207,140 so can claim the full credit of \$13,810 per child for a total of \$41,430. How much

For all other adoptions (except those where you adopt your spouse's child, which are not eligible for the credit), you can claim a credit based on your qualified adoption expenses, which are the reasonable and necessary expenses paid to complete the adoption as long as those expenses are not reimbursed by your employer or the government. If your adoption-related expenses are less than \$13,810, you claim only the amount of the expenses. If expenses exceed \$13,810, the maximum you claim is \$13,810 per child.

Please note that international adoptions cannot be claimed until the adoption is finalized. For US domestic adoptions, you can claim qualified adoption expenses for non-finalized or never finalized adoptions the year after you incur them.

Example 1 — A couple finalized the adoption of two children from China and had \$25,000 in legal, travel, and agency fees between 2016 and 2018. They can claim only \$25,000 (not the full \$27,620 they might have been eligible for had their expenses been higher). They are able to claim the credit with their 2018 taxes because the adoption finalized in 2018.

Example 2 — A family begins adopting a US infant in 2016 and pays \$4,000 in expenses in 2016, \$5,000 in 2017, and \$7,000 in 2018. The adoption finalizes in 2018. The parents must file for the \$4,000 spent in 2016 on their 2017 taxes. They cannot claim the \$5,000 and \$7,000 until they file their 2018 taxes. The most they can receive is the 2017 maximum of \$13,810.

When to Claim the Credit

- Parents who complete a special needs adoption (meaning the adoption of a child who receives adoption assistance/adoption subsidy benefits) claim the credit the year of finalization.
- Parents who adopt internationally claim the credit the year of finalization.
- Parents who adopted—or are in the process of adopting—from the U.S. and are claiming qualified adoption expenses can claim the credit the year of finalization or, if the adoption is not finalized, the year after they spent the funds.

Example — A family begins adopting a U.S. infant in 2016 and pays \$4,000 in expenses in 2016, \$5,000 in 2017, and \$3,000 in 2018. The adoption is finalized in 2018. The parents must file for the \$4,000 spent in 2016 on their 2017 taxes. They claim the \$5,000 and \$3,000 when they file their 2018 taxes. The maximum they could claim is the 2018 limit of \$13,810.

How Much Will I Benefit?

Claiming the adoption tax credit (as explained above) is different than being able to benefit from the credit. How much, if any, of the adoption tax credit you will use depends on your federal income tax liability in 2018 (and the next five years).

Federal tax liability is the amount you are responsible for in federal income taxes. If you have ever done your taxes manually, it's roughly the amount you would look up in the tax tables in the back of the instructions. If you want to see what your tax liability was in 2017,

If you have no tax liability you will not benefit from the adoption credit this year. If you would otherwise file taxes, we would still encourage you to claim the adoption tax credit with your taxes. You will then be able to carry the credit forward to future years in case the credit becomes refundable or your tax situation changes. (If a tax preparer wants to charge extra to file for the adoption tax credit and you won't benefit at all with your 2018 taxes, you might want to wait and amend your taxes if the credit is made refundable or your tax liability increases.)

Below are a couple of examples of how the tax credit might benefit families who finalized adoptions in 2018. (These are simplified examples, which do not take into account the child tax credit explained below.)

Example 1— A couple adopted two brothers from foster care who were determined to have special needs. The parents had \$6,500 in federal income tax withheld from their paychecks, and their tax liability is \$7,000, which means they would normally owe an additional \$500 to the IRS. Their adoption tax credit is \$27,620 (\$13,810 per child), and they can use \$7,000 (their tax liability) of that with their 2018 taxes. They get a refund of the \$6,500 they had already paid, and they do not pay the \$500 they would have owed. They carry over \$20,620 to the next year (which can be used for up to five more years).

Example 2 — A single woman adopted three siblings from foster care in 2018 and the state pays adoption assistance (which means the state determined these were special needs adoptions). She had \$1,000 in federal income tax withheld from her paychecks, and her tax liability is \$0. She could claim \$41,430 for the adoption tax credit, but cannot use it with her 2018 taxes since she has no federal income tax liability. She would receive her \$1,000 refund whether or not she claims the adoption tax credit. If her tax preparer doesn't charge her more, she should claim the credit to establish it, in case she'll be able to use in over the next five years.

If she does not claim the adoption tax credit with her 2018 tax return to establish the credit, she should monitor her tax situation each year (in case her income goes up or her income tax liability goes up). If she would benefit, she could amend her 2018 taxes and any future years to use the credit.

Interaction with the Child Tax Credit

If parents can claim their child as a dependent, then they should also look into the child tax credit. The child tax credit and the adoption tax credit interact and may reduce the child tax credit a family can claim. If you are doing your taxes manually, to determine the amount of the child tax credit you can use, you must complete the Child Tax Credit Worksheet in IRS Publication 972. Taxpayers who can answer 'Yes' on the last line of the Child Tax Credit Worksheet may be eligible for the additional child tax credit, which is a refundable credit (meaning they can claim the credit regardless of their tax liability). To claim the additional child tax credit, parents must complete IRS schedule 8812.

Claiming the Adoption Tax Credit

To claim the adoption tax credit, you will complete a 2018 version of IRS Form 8839 and submit it with your Form 1040 when you file your 2018 taxes. If you use software or a tax

If your tax preparer is not familiar with the adoption tax credit, you can share the instructions with them.

What If I Have Additional Questions?

Read the answers to our frequently asked questions.

If you have additional questions on the adoption tax credit, contact us (the North American Council on Adoptable Children) at 651-644-3036 or taxcredit@nacac.org.

[Get Email Updates](#)[Donate](#)[Become a Member](#)

Our Mission

The North American Council on Adoptable Children (NACAC) supports, educates, inspires, and advocates so adoptive families thrive and every child in foster care has a permanent, safe, loving family.


About NACAC

[What We Do](#)
[Core Beliefs and Values](#)
[Staff](#)
[Board of Directors](#)

Contact

North American Council
on Adoptable Children
970 Raymond Avenue
Suite 106
St. Paul, MN 55114

651-644-3036
info@nacac.org

[Staff Contact Info](#) 

Quick Links

[Adoption Assistance/](#)
[Adoption Subsidies](#)
[Adoption Tax Credit](#)
[NACAC Conference](#)
[Minnesota Adoption Supp](#)
[Network](#)
[Parent Group Guidance](#)
[Youth Advocacy](#)

[Donate](#)



MENU

Search...



Search



Home

Find Answers

Connect

Get Training

Advocate

Contact

Don.

Qualified Adoption Expenses

OMB No. 1545-0074

2018Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040 or 1040NR.

▶ Go to www.irs.gov/Form8839 for instructions and the latest information.Attachment
Sequence No. **38**

Name(s) shown on return

Your social security number

Part I Information About Your Eligible Child or Children—You must complete this part. See instructions for details, including what to do if you need more space.

1	(a) Child's name		(b) Child's year of birth	Check if child was—			(f) Child's identifying number	(g) Check if adoption became final in 2018 or earlier
	First	Last		(c) born before 2001 and disabled	(d) a child with special needs	(e) a foreign child		
Child 1				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
Child 2				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
Child 3				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

Caution: If the child was a foreign child, see **Special rules** in the instructions for line 1, column (e), before you complete Part II or Part III. If you received employer-provided adoption benefits, complete Part III on the back next.**Part II** Adoption Credit

	Child 1	Child 2	Child 3	
2 Maximum adoption credit per child				2
3 Did you file Form 8839 for a prior year for the same child? <input type="checkbox"/> No. Enter -0-. <input type="checkbox"/> Yes. See instructions for the amount to enter.				3
4 Subtract line 3 from line 2				4
5 Qualified adoption expenses (see instructions)				5
Caution: Your qualified adoption expenses may not be equal to the adoption expenses you paid in 2018.				
6 Enter the smaller of line 4 or line 5				6
7 Enter modified adjusted gross income (see instructions)				7
8 Is line 7 more than \$207,140? <input type="checkbox"/> No. Skip lines 8 and 9, and enter -0- on line 10. <input type="checkbox"/> Yes. Subtract \$207,140 from line 7				8
9 Divide line 8 by \$40,000. Enter the result as a decimal (rounded to at least three places). Do not enter more than 1.000				9
10 Multiply each amount on line 6 by line 9				10
11 Subtract line 10 from line 6				11
12 Add the amounts on line 11				12
13 Credit carryforward, if any, from prior years. See your Adoption Credit Carryforward Worksheet in the 2017 Form 8839 instructions				13
14 Add lines 12 and 13				14
15 Enter the amount from line 5 of the Credit Limit Worksheet in the instructions				15
16 Adoption Credit. Enter the smaller of line 14 or line 15 here and on Schedule 3 (Form 1040), line 54, or Form 1040NR, line 51. Check box c on that line and enter "8839" in the space next to box c. If line 15 is smaller than line 14, you may have a credit carryforward (see instructions)				16

Part III Employer-Provided Adoption Benefits

	Child 1	Child 2	Child 3	
17 Maximum exclusion per child	17			
18 Did you receive employer-provided adoption benefits for a prior year for the same child? <input type="checkbox"/> No. Enter -0-. <input type="checkbox"/> Yes. See instructions for the amount to enter.	18			
19 Subtract line 18 from line 17	19			
20 Employer-provided adoption benefits you received in 2018. This amount should be shown in box 12 of your 2018 Form(s) W-2 with code T	20			
21 Add the amounts on line 20				21
22 Enter the smaller of line 19 or line 20. But if the child was a child with special needs and the adoption became final in 2018, enter the amount from line 19	22			
23 Enter modified adjusted gross income (from the worksheet in the instructions)	23			
24 Is line 23 more than \$207,140? <input type="checkbox"/> No. Skip lines 24 and 25, and enter -0- on line 26. <input type="checkbox"/> Yes. Subtract \$207,140 from line 23	24			
25 Divide line 24 by \$40,000. Enter the result as a decimal (rounded to at least three places). Do not enter more than 1.000				25 × .
26 Multiply each amount on line 22 by line 25	26			
27 Excluded benefits. Subtract line 26 from line 22	27			
28 Add the amounts on line 27				28
29 Taxable benefits. Is line 28 more than line 21? <input type="checkbox"/> No. Subtract line 28 from line 21. Also, include this amount, if more than zero, on line 1 of Form 1040 or line 8 of Form 1040NR. On the dotted line next to line 1 of Form 1040 or line 8 of Form 1040NR, enter "AB." <input type="checkbox"/> Yes. Subtract line 21 from line 28. Enter the result as a negative number. Reduce the total you would enter on line 1 of Form 1040 or line 8 of Form 1040NR by the amount on Form 8839, line 29. Enter the result on line 1 of Form 1040 or line 8 of Form 1040NR. Enter "SNE" on the dotted line next to the entry line.				29

You may be able to claim the adoption credit in Part II on the front of this form if any of the following apply.



- You paid adoption expenses in 2017, those expenses were not fully reimbursed by your employer or otherwise, and the adoption was not final by the end of 2017.
- The total adoption expenses you paid in 2018 were not fully reimbursed by your employer or otherwise, and the adoption became final in 2018 or earlier.
- You adopted a child with special needs and the adoption became final in 2018.