



Help us Help You

The current Adoption Credit was originally created in 1997 to enable taxpayers who adopt to recover their expenses of adopting or to entice the adoption of “special needs” children by way of a credit on their federal tax return.

1st Choice is proud to help hundreds of adoptive families receive millions of dollars in tax refunds each year because of the Adoption Tax Credit, however, too many adoptive families do not receive a full or immediate benefit. Since 2012 the Adoption Tax Credit has been a “non-refundable” credit, which has limited its benefit to families earning less than \$100,000 per year.

There are bills pending in Congress which would make this valuable credit fully refundable and enable the low to moderate income families, who need it most, to benefit immediately and fully. However, these bills need more support to be enacted into law. We encourage you (and anyone you know) to call, write, or email your Senators and Congressional Representatives, asking them to support this important legislation.

Support increased in 2024, but the pending legislation still needs more support to become law. Please help.

Visit our website, www.1stChoiceTaxServices.com where you can download sample letters, locate your Congress person, and find up to date information on any changes to the Adoption Tax Credit.

Maximum Credit by Year

The table below shows the maximum Adoption Credit that can be claimed by year. The maximum is per child adopted, not an annual limit per taxpayer. This means if you adopt 2 children you can claim up to 2 times the amount shown below. The limit is also increased annually for inflation for future years.

2019	\$14,080
2020	\$14,300
2021	\$14,440
2022	\$14,890
2023	\$15,950
2024	\$16,810
2025	\$17,280



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The 2025 Adoption Tax Credit

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Adoption Request

The Adoption Tax Credit

There have been significant changes to the Adoption Tax Credit in recent years. How this credit can benefit your family depends upon the year of adoption and the type of adoption.

Year of Adoption

The tax rules that govern how the credit is claimed, and the amount of the credit are determined by the year the adoption became final. See the chart on the back page for the maximum credit allowable by year.

For Adoptions finalized in 2011 and earlier

For adoptions finalized in 2010 and 2011, the adoption credit was fully refundable. If your adoption was completed in either of these years, you could claim a refund of more than \$13,000 for each adopted child, even if you had no other reason to file a tax return. For most taxpayers the ability to claim a refund for an adoption finalized in 2011 and earlier has expired.

For Adoptions finalized in 2012 and beyond

For adoptions finalized in 2012 and beyond, the Adoption Credit is “non-refundable”; meaning it can only reduce your tax liability to zero, but thereby, can directly increase your tax refund. Any unused credit will be carried over for up to 5 additional years to offset a future tax liability.

Any unused credit expires at the end of the 6th year. There are many tax planning opportunities available to accelerate the use of a remaining credit to avoid losing it.

Having a tax liability to use the credit against does not mean “owing” the IRS money when you file your taxes. 1st Choice is happy to evaluate your specific situation and provide important tax planning advice on how to maximize your benefit of this credit.

Types of Adoptions

The IRS has many requirements for claiming the Adoption Tax Credit. Some rules apply to all types of adoptions. Other rules vary depending upon the type of adoption. And as discussed earlier, the rules vary by year. This brochure summarizes those requirements based upon current tax law. These rules have changed frequently in the past and may change again in the future. For updated information, you may visit our website:

www.1stChoiceTaxServices.com

Requirements for ALL Adoptions

- Your filing status is Single, Married Filing Jointly, Head of Household, or Qualifying Widow(er). You may not claim the credit on a Married Filing Separate return.
- Household income (MAGI) is less than \$299,190* for 2024 or you have a carry forward of an adoption credit from a prior year. Phase out begins with MAGI of \$259,190*

** Indexed annually for inflation*

- Provide the following information to identify the child: SSN, ITIN, or ATIN, Full Name, and date of birth.
- The child can not be your step-child.

Domestic Adoptions

A Domestic Adoption is an adoption where the adoptive parents and child are US citizens or residents. It may be facilitated privately, by an attorney, adoption agency, or state-operated foster care system, but does not meet the requirements of a “Special Needs Adoption” as defined later.

The Adoption credit for domestic adoptions allows taxpayers to claim a credit for the “ordinary and necessary” expenses they paid in the adoption process, which includes the following qualified adoption expenses:

- Adoption Fees paid to an Adoption agency
- Attorney fees and Court costs
- Home study, fingerprints, birth certificates, etc.
- Travel expenses while away from home

The amount of the credit to claim is the total of all qualified adoption expenses paid, but can not exceed the maximum shown in the chart on the back page. The credit is claimed in the year following the year the expenses were paid, or in the year the adoption was finalized, which ever occurs first.

Special Needs Adoptions

A Special Needs Adoption has nothing to do with any physical or mental disabilities of the child. Rather, it is a finalized adoption, usually through a state-operated foster care system, where the state has determined the child has a “special need to be adopted” and that the child will not be adopted unless assistance is provided to the adoptive parents in the form of a subsidy. Factors used by the 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.
- Whether the child has a medical condition or physical, mental or emotional handicap

The assistance can be either a one-time subsidy covering the expenses of the adoption or an on-going monthly subsidy. In Arizona, a Title IV-E Adoption Subsidy or Assistance Agreement issued by DCS satisfies the state determination of special needs requirement.

In the case of a special needs adoption, the Adoption Credit claimed is the maximum credit allowable for the year the adoption was finalized, regardless of whether or not the taxpayer has paid any adoption expenses. In addition, any employer provided adoption benefits do not reduce the maximum credit.

Many states, including Arizona, offer some type of adoption benefits on their state income tax return. Contact a knowledgeable tax advisor for more information.

Foreign Adoptions

A Foreign Adoption is the adoption of a child from a foreign country. Foreign adoptions have unique and additional requirements. Contact a knowledgeable tax advisor for more information if you have adopted a foreign child.

1st Choice Tax Services is happy to offer foster and adoptive families a 50% discount (up to \$100.00) on each year of tax preparation fees.