



Instructions for Form 8839

Qualified Adoption Expenses

General Instructions

Purpose of Form

If you paid qualified adoption expenses in 1997 and the adoption was final in or before 1997, you may be able to claim the adoption credit. Use Form 8839 to figure the amount of your credit.

If you received any employer-provided adoption benefits for 1997, you **MUST** use Form 8839 to figure the amount, if any, of benefits you may exclude from your income on line 7 of Form 1040 or Form 1040A. You need to complete Part III of Form 8839 before you can figure the credit, if any, in Part II.

Definitions

Eligible Child

An eligible child is:

- Any child **under age 18**. If the child turned 18 during the year, the child is an eligible child for the part of the year he or she was under age 18.
- Any disabled person not able to care for himself or herself.

Caution: *If you and another person adopted or tried to adopt an eligible child, see the instructions for line 2 (or line 12 if applicable) before you enter an amount on that line.*

Employer-Provided Adoption Benefits

These are amounts your employer paid directly to either you or a third party for qualified adoption expenses. Your salary may have been reduced to pay for these benefits. Employer-provided adoption benefits should be shown in box 13 of your 1997 W-2 form(s) with code T.

Qualified Adoption Expenses

For purposes of the credit, these are the reasonable and necessary expenses directly related to, and for the principal purpose of, the legal adoption of an eligible child.

Qualified adoption expenses **include**:

- Adoption fees.
- Attorney fees.
- Court costs.
- Travel expenses (including meals and lodging) while away from home.

Qualified adoption expenses **do not include** expenses:

- For which you received funds under any state, local, or Federal program.
- That violate state or Federal law.
- For carrying out a surrogate parenting arrangement.
- For the adoption of your spouse's child.
- Paid or reimbursed by your employer or any other person or organization.

- Paid before 1997.
- Allowed as a credit or deduction under any other provision of Federal income tax law.

Who May Take the Adoption Credit or Exclude Employer-Provided Adoption Benefits?

You may take the credit or exclusion if **all three** of the following apply.

1. Your filing status is Single, Head of household, Qualifying widow(er) with dependent child, or Married filing jointly. However, if your filing status is Married filing separately, see **Married Persons Filing Separate Returns** below.

2. Your modified AGI (adjusted gross income) is less than \$115,000. To figure your modified AGI, see the instructions for line 6 (for the credit) or line 17 (for the exclusion).

3. You report the required information about the eligible child on line 1.

Caution: *Special rules apply if you received employer-provided adoption benefits in connection with the adoption of an eligible foreign child. See the **Note** in the instructions for line 1, column (e), for details.*

Married Persons Filing Separate Returns

You may take the credit or exclusion if you meet items **2** and **3** listed above and **all** of the following apply.

- You lived apart from your spouse during the last 6 months of 1997.
- The eligible child lived in your home more than half of 1997.
- You provided over half the cost of keeping up your home.

Line Instructions

Line 1

Caution: *If you tried to adopt **one** eligible child and you made more than one attempt to do so during the year, combine the amounts you spent and enter the total on the "Child 1" line. **Do not** report the additional attempt(s) on the "Child 2" line. Complete the "Child 2" line only if you adopted or tried to adopt **two** eligible children during the year. If you adopted or tried to adopt more than two eligible children, see **More Than Two Eligible Children** on page 2.*

Complete all columns that apply to the eligible child you adopted or, if you received employer-provided adoption benefits, tried to adopt. If you do not give correct or complete information, your credit (and any applicable exclusion) may be disallowed.

If you cannot give complete information because you tried to adopt an eligible child but were not successful or the adoption was not final by the end of 1997, complete the entries you can on line 1. Write "See Page 2" in the columns for which you do not have the information. Then, on the bottom of page 2, enter the name and address of any agency or agent (such as an attorney) that assisted in the attempted adoption.

Column (a)

Enter the eligible child's name.

Column (c)

Check this box if the child was born **before 1979** and was disabled. A child is **disabled** if the child is physically or mentally unable to care for himself or herself.

Column (d)

Check this box if the child was also a child with special needs. A child is a **child with special needs** if **both** of the following apply.

• **1.** The child was a citizen or resident of the United States or its possessions at the time the adoption process began.

• **2.** A state (including the District of Columbia) has determined that the child cannot or should not be returned to his or her parents' home and probably 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.

Caution: *If you check this box, be sure to keep evidence of the state's determination in your records.*

Column (e)

Check this box if the child was a foreign child. A child is a **foreign child** if he or she was **not** a citizen or resident of the United States or its possessions at the time the adoption process began.

Note: *Employer-provided adoption benefits received in connection with the adoption of a foreign child **cannot** be excluded from income until the adoption is final. If you received employer-provided adoption benefits in connection with the adoption of a foreign child but the adoption was not final by the end of 1997, include the benefits in the total entered on Form 1040, or Form 1040A, line 7. Also, write "AB" (adoption benefits) next to*

line 7. If the adoption becomes final in 1998, you may be able to exclude the benefits from your 1998 income.

Column (f)

Enter the child's identifying number. This may be a social security number (SSN), an adoption taxpayer identification number (ATIN), or an individual taxpayer identification number (ITIN).

To get an—

- SSN, use **Form SS-5**.
- ATIN, use **Form W-7A**.
- ITIN, use **Form W-7**.

More Than Two Eligible Children

If you adopted or tried to adopt more than two eligible children, fill in and attach as many Forms 8839 as you need to list them. Also, write "See Attached" to the right of the **Caution** below line 1.

For **Part II**, fill in lines 1 through 4 for each child. But fill in lines 5 through 11 on only one Form 8839. The amount on line 5 of that Form 8839 should be the combined total of the amounts on line 4 of all the Forms 8839.

For **Part III**, fill in lines 12, 13, and 15 for each child. But fill in lines 14 and 16 through 23 on only one Form 8839. The amount on line 14 of that Form 8839 should be the combined total of the amounts on line 13 of all the Forms 8839, and the amount on line 16 should be the combined total of the amounts on line 15.

Line 2

Enter \$5,000 (\$6,000 if the child was also a child with special needs). If you and another person each paid qualified adoption expenses to adopt the same child, the \$5,000 limit (or \$6,000 if applicable) must be divided between the two of you in any way you both agree. If the other person is your spouse and you are filing a joint return, this rule does not apply.

Line 6

Use the following chart to find your modified AGI (adjusted gross income) to enter on line 6.

IF you file...	THEN enter on line 6 the amount from...
Form 1040	Form 1040, line 33, increased by the total of any: <ul style="list-style-type: none"> • Exclusion of income from Puerto Rico, and • Amount from— <ul style="list-style-type: none"> • Form 2555, lines 43 and 48. • Form 2555-EZ, line 18. • Form 4563, line 15.
Form 1040A	Form 1040A, line 17

Line 10

The amount of your credit may be limited. To find out if it is, complete the **Credit Limit Worksheet** on this page that applies to you.

1040 Filers Credit Limit Worksheet—Line 10 (keep for your records)

If you are claiming the mortgage interest credit (see the instructions for Form 1040, line 44), complete **Form 8396** before you begin.

1. Enter the amount from Form 1040, line 39, minus the total of any amounts on lines 40 and 41, and any mortgage interest credit from Form 8396, line 11 1. _____
2. Enter the amount from Form 8839, line 10 2. _____
3. Enter the **smaller** of line 1 or line 2 3. _____
Note: If line 3 is less than line 2, replace the amount on Form 8839, line 10, with the amount from line 3 above before you go to line 4.
4. Enter the amount from Form 1040, line 22, plus any net operating loss deduction and tax-exempt interest from private activity bonds issued after August 7, 1986 4. _____
Next: If line 4 is over \$150,000 (\$112,500 if single or head of household; \$75,000 if married filing separately) **OR** you file Schedule C, C-EZ, D, E, or F, complete **Form 6251** through line 24. Then, complete only lines 9, 10, and 11 below. Otherwise, go to line 5.
5. Enter \$45,000 (\$33,750 if single or head of household; \$22,500 if married filing separately) 5. _____
6. Subtract line 5 from line 4. If zero or less, **stop here**; enter on Form 1040, line 42, the amount from line 3 above. Otherwise, go to line 7 6. _____
7. Multiply line 6 by 26% (.26) 7. _____
8. Subtract line 7 from line 1. If zero or less, enter -0- 8. _____
Is line 8 equal to or more than line 3?
Yes. Stop here; enter the amount from line 3 above on Form 1040, line 42.
No. Complete Form 6251 through line 24 and lines 9, 10, and 11 below.
9. Enter the amount from Form 6251, line 24 9. _____
10. Subtract line 9 from line 1. If zero or less, enter -0- 10. _____
11. Enter the **smaller** of line 3 or line 10 here and on Form 1040, line 42. If line 10 is the smaller amount, write "AMT" on the dotted line next to line 42 and replace the amount on Form 8839, line 10, with that new amount 11. _____

1040A Filers Credit Limit Worksheet—Line 10 (keep for your records)

1. Enter the amount from Form 1040A, line 23, minus the total of any amounts on lines 24a and 24b 1. _____
2. Enter the amount from Form 8839, line 10 2. _____
3. Enter the **smaller** of line 1 or line 2 3. _____
Note: If line 3 is less than line 2, replace the amount on Form 8839, line 10, with the amount from line 3 above before you go to line 4.
4. Add the amounts on Form 1040A, lines 8b and 17. Enter the total 4. _____
Is line 4 over \$45,000 (\$33,750 if single or head of household; \$22,500 if married filing separately)?
No. Stop here; enter on Form 1040A, line 24c, the amount from line 3 above.
Yes. Complete lines 1–7 of the **Alternative Minimum Tax Worksheet** on page 25 of the 1040A instruction booklet. Then, complete lines 5, 6, and 7 below.
5. Enter the amount from line 7 of the Alternative Minimum Tax Worksheet 5. _____
6. Subtract line 5 from line 1 6. _____
7. Enter the **smaller** of line 3 or line 6 here and on Form 1040A, line 24c. If line 6 is the smaller amount, write "AMT" next to line 24c and replace the amount on Form 8839, line 10, with that new amount 7. _____

Line 11

If you had to replace the amount on line 10 of Form 8839 with a new amount from your **Credit Limit Worksheet**, you have an unused credit to carry forward to the next 5 years or until used, whichever comes first. Use the following worksheet to figure the amount of your credit carryforward. If you have any unused credit to carry forward to 1998, be sure you keep a copy of your 1997 Form 8839. You will need it to figure your credit for 1998.

Credit Carryforward Worksheet—Line 11 (keep for your records)

1. Enter the amount from line 2 of your Credit Limit Worksheet 1. _____
2. Enter the new amount from Form 8839, line 10 2. _____
3. Subtract line 2 from line 1. If the result is more than zero, enter it on line 11 of Form 8839 3. _____

Line 12

Enter \$5,000 (\$6,000 if the child was also a child with special needs). If you and another person each received employer-provided adoption benefits in connection with the adoption of the same eligible child, the \$5,000 limit (or \$6,000 if applicable) must be divided between the two of you in any way you both agree. If the other person is your

spouse and you are filing a joint return, this rule does not apply.

Line 17

Follow these steps before you fill in the line 17 worksheet on this page.

Step	Action						
1	Figure the amount you would enter on line 7 of Form 1040 or 1040A if you could exclude the total amount on Form 8839, line 14.						
2	If you received social security benefits, use Pub. 915 to figure the taxable amount of your benefits.						
3	If you made IRA contributions for 1997 and you were covered by a retirement plan at work or through self-employment, use Pub. 590 to figure your IRA deduction.						
4	Complete the following lines on your return if they apply: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>IF you file...</th> <th>THEN complete...</th> </tr> </thead> <tbody> <tr> <td>Form 1040</td> <td>Lines 8a, 8b, 9 through 21, and 23 through 31</td> </tr> <tr> <td>Form 1040A</td> <td>Lines 8a, 8b, 9 through 13b, and 15</td> </tr> </tbody> </table>	IF you file...	THEN complete...	Form 1040	Lines 8a, 8b, 9 through 21, and 23 through 31	Form 1040A	Lines 8a, 8b, 9 through 13b, and 15
IF you file...	THEN complete...						
Form 1040	Lines 8a, 8b, 9 through 21, and 23 through 31						
Form 1040A	Lines 8a, 8b, 9 through 13b, and 15						

Modified AGI Worksheet—Line 17 (keep for your records)

1. Enter the amount you would enter on line 7 of Form 1040 or 1040A if you could exclude the total amount on Form 8839, line 14 **1.** _____
2. Enter the amount from Form 8839, line 14 **2.** _____
3. **Form 1040 filers**, add the amounts on lines 8a, 9 through 14, 15b, 16b, 17 through 19, 20b, and 21. Enter the total. **Form 1040A filers**, add the amounts on lines 8a, 9, 10b, 11b, 12, and 13b. Enter the total..... **3.** _____
4. Add lines 1, 2, and 3..... **4.** _____
5. Enter the amount from Form 1040, line 31, or Form 1040A, line 15..... **5.** _____
6. Subtract line 5 from line 4..... **6.** _____

Form 1040 filers, increase the amount on line 6 above by the total of the following amounts. Enter the result on Form 8839, line 17.

- Any amount from **Form 2555**, lines 43 and 48; **Form 2555-EZ**, line 18; and **Form 4563**, line 15, and
- Any exclusion of income from Puerto Rico.

Form 1040A filers, enter on Form 8839, line 17, the amount from line 6 above.

Caution: For purposes of the credit, your modified AGI may be different. If you are taking the credit, be sure to read the instructions for line 6 on page 2 before you enter an amount on that line.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	40 min.
Learning about the law or the form	16 min.
Preparing the form	1 hr., 24 min.
Copying, assembling, and sending the form to the IRS	1 hr., 9 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for Form 1040 or 1040A.