

## **Sample article for organizations to use to reach customers/taxpayers**

*Customize and provide the following article to your customers to educate individuals about Affordable Care Act changes that may impact the Adoption Tax Credit*

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### **Changes to the Federal Adoption Benefits - Tax credit of up to \$13,170 for adopting a child**

The Affordable Care Act (ACA) enacted in March 2010 included an increase to the maximum adoption credit and the maximum amount of employer-provided adoption assistance benefits you can exclude from your income. The act also extended the tax credit through December 31, 2011.

You may qualify for the adoption tax credit if you adopted a child and paid qualified adoption-related expenses. If you adopt a special-needs child, you may be able to claim the full amount of the adoption credit, even if your out-of-pocket expenses are less than the tax credit amount or if you paid no expenses.

New for 2010 is that the adoption credit is now refundable. This means that for the 2010 tax year, you can reduce your tax to zero and IRS refunds any remaining amount of the credit to you. Before 2010, if your credit was greater than your tax liability, you could reduce your tax liability to zero, but could not get a refund of the additional credit amount but could carry forward the excess credit for up to five taxable years. In 2010, credit amounts carried forward from prior years are refundable.

### **Calculate and claim the adoption credit and income exclusion**

Form 8839, Qualified Adoption Expenses, and the worksheets located in the instructions are used to calculate the adoption credit and income exclusion. The year you can claim the adoption credit will depend on whether the adoption is final, whether the adopted child is a US citizen or resident or was instead a foreign child at the beginning of the adoption process or whether the adoption is of a child with special needs.

You must now attach one or more documents that support the adoption to your federal tax return. The required documents vary depending on whether the adoption is foreign or domestic, final or not final, and whether the adoption is of a child with special needs.

You must also complete and attach Form 8839, Qualified Adoption Expenses, to your Form 1040 or Form 1040A with the required adoption-related documentation. Include the credit in your total for Form 1040, line 52, and check box b on Line 71.

You have to file a paper federal tax return so that you can attach the supporting documents. Therefore, you cannot file a return with the adoption credit electronically.

### **Records to keep**

Keep the following documents to ensure you get any credit that is allowable:

- Receipts for qualified adoption expenses
- Entry visas for foreign adoptions
- Final decree, certificate or order of adoption
- Home study by an authorized child placement agency
- Child placement agreements or court orders
- Determination of special needs status by a State or the District of Columbia.

Find out more about changes to the adoption tax credit at [www.irs.gov](http://www.irs.gov).

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**NOTE TO EDITOR:** *Below are links to additional resources for your readers.*

- [Adoption Benefit](#) page on IRS.gov
- [Questions and Answers](#) on Adoption Benefits
- [Adoption Credit](#), IRS Tax Topic 607 – information on qualifying expenses paid to adopt
- [Affordable Care Act](#) page on IRS.gov
- [Form 8839, Qualified Adoption Credit](#)
- [Instructions for Form 8839](#) for more information
- [Draft Form 8839, Qualified Adoption Credit](#) - Draft Instructions will be posted when available.