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From:

Sent: Tuesday, November 25, 2014 15:27 PM

To:

Cc:

Subject: Re-adoption not required under Rev. Proc. 2005-31

Good afternoon --

We understand that Exam is disallowing an adoption tax credit for a non-Hague adoption on the ground that the foreign-country adoption was not followed by a U.S. re-adoption. Exam should not disallow the credit on this ground.

Rev. Proc. 2005-31, 2005-1 C.B. 1374, provides that if a taxpayer adopts a child in a foreign-sending country and then re-adopts the child in the home state (the state of habitual residence) within one or two years thereafter, the taxpayer may choose to treat the year of finality as being either (1) the year the foreign decree was entered, or (2) the year of re-adoption, if the re-adoption occurs within the first or second year after the foreign adoption occurs.

Thus, Rev. Proc. 2005-31 allows the taxpayer to choose the year of finality if there is a re-adoption. However, Rev. Proc. 2005-31 does not require a re-adoption. In the absence of a re-adoption, the year of finality is the taxable year in which the foreign country's competent authority issues the decree of adoption.

Regards,