The Adoption Tax Credit

For parents who have adopted children there is an Adoption Tax Credit available that can be applied against your income tax.

Credit or Exclusion

The credit which is nonrefundable can reduce your income tax liability, but be aware that the credit applies only to income taxes, not other tax liabilities such as Self-Employment or Medicare taxes.

If the credit is more than your income tax you cannot get any additional amount as a refund.

If your employer helped pay for the adoption through a written qualified adoption assistance program, you may qualify to exclude that amount from tax.

Maximum Benefit

The maximum adoption tax credit and exclusion for 2015 is $13,400 per child.

Credit Carryover

If your credit is more than your tax you can carry any unused credit forward to future years.

This means that if you have an unused credit in the current year you can use it to reduce future income taxes. The carryforward feature is five years, or until you fully use the credit, whichever comes first.

Eligible Child

An eligible child is an individual under age 18 or a person who is physically or mentally unable to care for themself.
**Qualified Expenses**

Adoption expenses must be directly related to the adoption of the child and be reasonable and necessary. Types of expenses that can qualify include adoption fees, court costs, attorney fees and travel.

**Domestic or Foreign Adoptions**

In most cases you can claim the credit whether the adoption is domestic or foreign. However, the timing rules for which expenses to include differ between the two types of adoption.

**Special Needs Child**

If you adopted an eligible U.S. child with special needs and the adoption is final, a special rule applies. You may be able to take the tax credit even if you did not pay any qualified adoption expenses.

**No Double Benefit**

Depending on the adoption’s cost, you may be able to claim both the tax credit and the exclusion. You cannot claim both a credit and exclusion for the same expenses.

**Income Limits**

The credit and exclusion are subject to income limitations, in other words if you are one of those nasty taxpayers who is talented, hardworking, and innovative, and probably provides jobs for others that the current administration so dislikes, you don’t qualify if your income exceeds $201,010, a rather odd amount to choose – why the $10.00?

In other words, if you can afford to adopt a child, give them a great home, and have that kind of money, the government is not going to help you, but if you make less, the credit is there for you.

If you give it some effort, possibly you can get someone making that kind of money to adopt you!

Our emphasis at Muffoletto & Company is to provide you the proper guidance and understanding of the system so that you avoid taxes to the extent that the law allows.

Should you have questions relating to these matters, tax, financial, and accounting issues, give us a call at (818) 346-2160.
You can also visit us on the web at www.petemcpa.com!

We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service. Should you have questions relating to any tax or financial matters, or if you know of someone that could benefit from our assistance feel free in calling us at (818) 346-2160, or you can visit us on the web at www.petemcpa.com!

Providing individuals, small businesses, corporations, partnerships, professionals, and other business entities with the necessary guidance and answers for a complex world.

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