

Adoption Credit

Taxpayers who adopt a child can qualify for the adoption tax credit when they pay out-of-pocket expenses related to the adoption. These expenses include adoption fees, court and attorney fees, and travel expenses. The amount of the tax credit is directly related to how much you spend.

How Much Is the Adoption Tax Credit?

The adoption tax credit is indexed for inflation, so it increases a little from year to year. The credit amount is for each eligible child:

- 2023: \$15,950²
- 2024: \$16,810

You would not be eligible for the full \$16,810 credit in 2024 if you had only \$10,000 in qualifying expenses because your credit is limited to the amount of you spend. Likewise, you would be limited to a credit of \$16,810 even if you spent \$20,000 on qualified expenses, with one exception. You are entitled to claim the full amount of the credit if you adopt a special needs child even if your out-of-pocket expenses are less than the tax credit amount.

This credit is nonrefundable. It can erase any tax liability you owe the IRS, but you will not receive the balance as a refund if the credit is more than what you owe. You would still receive a credit for \$10,000 if you owe \$10,000 even if you qualify for the full \$16,810. Any excess credit can be carried forward for up to five years, so the remaining \$6,810 could still be claimed in later years.

You cannot claim the credit if you file married filing separately; exceptions apply for spouses who have lived apart for the year and meet other requirements.

Income (MAGI) Phaseout Ranges

- 2024: \$252,150-\$292,150

You can't claim the adoption credit if your MAGI exceeds the top number. Your credit begins reducing at the first threshold, and the more you earn, the less of a portion you can claim. You can only claim a portion of the credit if your MAGI falls between \$252,150 and \$292,150 for 2024.

Other Eligibility Requirements

You must adopt an eligible child and pay qualified adoption expenses out of your own pocket to claim this credit. Eligible children include those who are age 17 or younger, or a child of any age who is a U.S. citizen or a resident alien and is physically or mentally incapable of caring for themselves.

Qualified adoption expenses are calculated by adding up all the expenses related to the adoption, then subtracting any amounts reimbursed or paid for by your employer, a government agency, or another organization. Expenses for a failed adoption might qualify for the credit if a successful adoption follows it, but the two adoption efforts would be considered as one adoption and subject to the dollar limit per eligible child.

Special Needs Children

Families who finalize the adoption of a special needs child can claim the full credit, regardless of their adoption expenses. In the US, a child with special needs is a child in foster care who receives adoption assistance or

adoption subsidy benefits. These can include a monthly payment, Medicare, or reimbursement of certain expenses.

The child typically qualifies for meeting requirements of a permanent medical condition, a physical, mental or emotional disability. Having a disability is not grounds alone for the state to consider a child special needs. The state must also determine that the child cannot be returned to their parents.

When to Claim the Adoption Credit

You can claim the adoption credit in the tax year after your expenses were paid if they were paid before the adoption was final, and you can claim it in the same year for expenses that were paid that year if the adoption was final that year. You would take the adoption credit in the year the expenses were paid if this occurred in the year after the adoption is final.

Different rules apply if the child is a foreign national, however. You can take the adoption credit only in the year the adoption becomes final in this case, or you can take the credit for expenses in the year that you paid them if they were paid in the year after the adoption was finalized.

You must apply for an Adoption Taxpayer Identification Number (ATIN) to begin claiming your adopted child as a dependent if the child doesn't yet have a Social Security number. The IRS provides [comprehensive information about the ATIN](#) on its website.