

Tax Assistance and Benefits for Adoptive Parents

Adoption and foster care benefits, assistance, and resources are available pre- and post- adoption. Some types of assistance and resources are available only to families who adopt through the foster care system, while other tax and employee benefits can apply to adoptions of all kinds. Generally speaking, assistance comes from four sources: government (federal or state) for foster care adoptions, tax board (federal or state), employers, and private foundations.

Tax Board Benefits

On January 2, 2013 Congress passed a bill that made the adoption tax credit permanent. Generally, families can claim adoption tax benefits during the year they adopt and for up to five subsequent years until they have received the full credit. For tax year 2014, the tax credit can be claimed for up to \$13,190 per child. Families adopting children privately (either domestically or internationally) must document expenses to claim the credit. Families adopting a child with special needs from foster care are allowed access to the adoption tax credit without needing to document expenses. Children that are considered hard to place such as older children, children of color, sibling groups, and children with medical, physical, mental, or emotional conditions often are determined to have special needs. Most experts interpret the instructions for Form 8839 (the Adoption Tax Credit form) to mean that if you receive adoption subsidy for your child, the state that provides the subsidy has determined that your child has special needs and you will be able to take the credit without documenting expenses.

With the exception of special needs children adopted through foster care as described above, how much, if any of the credit you can use is based on your income (families with federal adjusted gross income above \$234,580 cannot claim the credit at all) and the credit begins to phase out for families with adjusted gross incomes above \$194,580. The amount of your tax liability (line 46 of Form 1040) is based on your taxable income. A tax credit offers families a much more significant benefit than a tax deduction because it is a dollar-for-dollar reduction in the amount of federal taxes owed for a year. For example, if your household income is \$100,000,

a \$10,000 tax deduction would mean that your tax liability would be reduced by only \$2800. With the same household income, in the same tax bracket, a \$10,000 tax credit would decrease your tax liability by \$10,000. What's more, you can spread the tax credit over multiple. If you only owe \$4000 a year in taxes, you can continue claiming the credit each year until you have taken the full credit.

We understand that the tax credit can be applied prior to actual placement of a child with your family. If you have an adoption plan that "fails," because the child is not placed permanently with your family, expenses incurred for that "failed adoption" can be reimbursed as a separate credit from any future "successful adoption" that occurs later. Please note that Pact staff are not professional tax consultants and are not authorized to provide tax advice. To learn more, please consult a tax specialist.

Claiming a Child In the Process of Adoption Prior To Finalization

Until you finalize the adoption of your child, he or she will not have a birth certificate reflecting membership in your family. Without this birth certificate you cannot obtain a Social Security number for your child. In order to claim your child prior to finalization, you must use Tax Form W7-A to request an Adoption Taxpayer Identification Number (ATIN), which allows you to claim your child immediately upon placement.

Employer Benefits

Some "adoption-friendly" workplaces offer a broad range of benefits to employees who wish to adopt; others offer only the support required by law. For more information check out this website:

http://www.adoptionfriendlyworkplace.org/benchmarks_search.asp .

Employment related adoption benefits fall into four categories: information resources, financial assistance, Federal Parental Leave and State Parental Leave.

Information resources: Resources made available to employees may include referrals to licensed adoption agencies, support groups, and organizations; access to an adoption specialist to answer questions about the process; and help with special situations, such as a special needs adoption. Many employers that offer this type of benefit contract with a human resources consulting firm to provide these services.

Financial assistance: Financial benefits take different forms. Some employers provide a lump-sum payment for an adoption, usually between \$1,000 and \$15,000. Other employers pay certain fees related to an adoption. Still others partially reimburse employees for expenses. Typical reimbursement plans cover 80 percent of certain itemized expenses up to an established ceiling (about \$4,000 on average). Some employers reimburse at a higher rate for adoptions of children with special needs. Most frequently, employer-provided financial assistance covers public or private agency fees, court costs, and legal fees.

Federal Unpaid Parental Leave: The Family and Medical Leave Act (FMLA) legally requires employers with 50 or more employees to offer both mothers and fathers up to 12 weeks of unpaid leave upon the birth or adoption of a child. This law ensures that employees can return to their current jobs or an equivalent position, and it requires employers to continue the employee's health benefits during the leave period. Information about FMLA can be found at <http://www.dol.gov/esa/whd/fmla/>. In addition, some employers allow employees to take more than the required 12 weeks of unpaid leave. Employees may be permitted to combine accumulated paid leave (such as vacation or sick leave) with unpaid leave to extend their total leave. Some employers even offer paid leave for employees who adopt a child. Certain employers may be bound by union contracts that have provisions for adoption leave.

State Paid Parental Leave: In addition to the federal law, many states require employers to offer parental leave to adoptive parents. To find out about a particular state, contact the state's Adoption Specialist at www.childwelfare.gov.

In California, families are ensured paid leave, if they have paid into the state disability insurance (SDI) program, of up to \$882 per week (depending on income level) for up to six weeks to bond with a new baby or child. This benefit is available to all new parents, but mothers who have given birth can also usually claim six to eight weeks of additional medical leave.

If you live in one of the following states you might be able to qualify for \$2000 in financial assistance for your adoption: Alabama, Alaska, Hawaii, Idaho, Iowa, Kansas, Kentucky, Maryland, Mississippi, Missouri, Nebraska, Ohio, Oklahoma, Utah or Vermont.

Eligibility and Conditions: Eligibility for adoption benefits usually depends on employment status (for example, policies sometimes specify that only full-time employees are eligible). Employers also might tie eligibility to length of employment or participation in a company-sponsored health plan. The type of adoption also can affect the benefits offered.

Private Foundations

There are private foundations that will offer grants or loans to families in the process of adopting to subsidize the expense of adoption. Many of these grant-making groups give money for specific kinds of adoption or to families affiliated with a particular religion. Check eligibility requirements carefully!

- ◆ Adopt Share (<http://www.adoptshare.org>) offers Christian families assistance with expenses involved in adoption.
- ◆ Bright Futures Foundation (<http://www.homestead.com/brightfutures>) offers small grants; contact Executive Director Jill Tate at bfadopt@aol.com, jstate@kdsi.net, or Children of the World, 27 East Hillvale Road, Syosset NY 11791.
- ◆ Gift of Adoption (<http://www.shaohannahshope.com/http://www.giftofadoption.org/>) gives \$2,000 to \$5,000 to families already in the process of adopting.
- ◆ God's Grace Adoption Ministry (www.ggam.org) offers grants and loans; for more information call (209) 572-4539, or write PO Box 4, Modesto, CA 95353.
- ◆ Ibsen Adoption Network (<http://www.ibsenadoptionnetwork.com/>) awards \$1000 grants to Washington State residents only to adopt waiting children; contact Marilyn Bribane Ibsen.
- ◆ Steven Curtis Chapman's Adoption Grant (<http://www.Shaohannahshope.com>) gives up to \$7000 to families already in the process of adopting.

Low Interest Loans

Chase Bank has introduced a discounted home-equity loan program to help families pay adoption expenses; other banks may offer similar programs. Chase New Additions provides a 1% rate discount for the first six months. More information is available online at www.chase.com/NewAdditions.