



Quarter 1—2015

A WALK IN THE PARC

Southern WI Post Adoption Resource Center

Take Care When Talking about the Adoption Tax Credit

by Mary Boo, NACAC's assistant director

In recent years, NACAC has handled thousands of inquiries about the adoption tax credit. We've learned that prospective adopters are often confused about the credit. Some have received inaccurate information from their agencies, adoption professionals, and other parents, or online. Below we outline areas about which there is often confusion. We encourage you to think about how you can carefully frame information you share with prospective adopters.

NOTE: Families who adopted in 2011 and haven't claimed the adoption tax credit yet must file for the credit by April 15, 2015. The credit was refundable in 2011 so families with low and moderate incomes can benefit

Understanding Special Needs

For purposes of the adoption credit, "special needs" means that a state has determined a child will be difficult to place without assistance. To be considered special needs, a child must be from the U.S. and must receive adoption assistance or adoption subsidy benefits. All children who receive such benefits are considered special needs, even if they have no disability. And children with disabilities who do not receive these benefits are not considered special needs for purposes of the credit.

Claiming vs. Using the Credit

The most fundamental confusion about the adoption credit relates to how much a family will actually benefit. Many parents call us because they did their taxes and were shocked to learn they're not going to receive \$13,000. Many receive nothing at all. There's an important distinction between being able to **claim** the credit and being able to **use** the credit.

When a family adopts a child determined to have special needs, they can claim the maximum credit as their qualified adoption expenses, even if they had few or no expenses. For special needs adoptions finalized in 2014, families claim \$13,190 per child as their expenses. **But that does not mean they will receive any or all of that money.**

The adoption credit is currently a nonrefundable credit, which means it only offsets a person's federal income tax liability. (The credit was refundable only in 2010 and 2011.) The credit can be used in the year it is first claimed and then can be carried forward for up to five more years to offset any of those years' tax liability. Whether an adoption is considered special needs does not affect how much someone will receive. It only enables them to claim expenses even if they did not have any.

Here's how we explain it:

*If you receive adoption assistance or adoption subsidy benefits for your child, you can claim the full credit (\$13,190 per child for adoptions finalized in 2014) as your expenses, even if you had little or no expenses. **But how much you will receive depends on your income and personal tax situation.** The amount of credit you can use is based on your federal income tax liability. Families with adjusted gross incomes of less than \$30,000 are likely to not benefit at all. Those making \$30,000 to \$50,000 will probably be able to use only a portion of the credit (maybe a few thousand), with the benefit spread out over six years. The credit also starts to phase out for families making more than about \$200,000.*

Federal tax liability is the amount you are responsible for in federal income taxes. If you have ever done your taxes manually, it's roughly the amount you would look up in the tax tables in the back of the instructions. If you want to see what your tax liability was in 2013, you can look at line 46 of Form 1040 (or line 28 of Form 1040A). If the line is blank or zero, you had no federal income tax liability. People with no tax liability will not benefit from the adoption credit this year. You can still file for the credit so you can carry it forward to future years if your tax situation changes.

Please note that the amount on line 46 is not exactly what someone would receive because there are some credits that come before the adoption credit.

A WALK IN THE PARC **Take Care When Talking about the Adoption Tax Credit** (cont.)

We *highly recommend* making it clear that claiming the credit is very different from being able to use the credit, and many people will not benefit at all. Because parents often know of others who were able to receive the full benefit in the past, it also can help to tell them that everything was different when the credit was refundable in 2010 and 2011.

Claiming Non-Final Adoptions

Another problem relates to adoptions that have not been completed. For U.S. adoptions with expenses, people can claim the credit before an adoption finalizes—and even if it never finalizes. For non-finalized adoptions, taxpayers must wait to file for the credit for one year after expenses are paid. (For international adoptions, taxpayers cannot claim any credit until finalization.)

What does this mean? Someone adopting from the U.S. who has expenses in 2013, 2014, and 2015 for an adoption finalized in 2015 claims 2013 expenses with their 2014 taxes and 2014 and 2015 expenses with their 2015 taxes. They are limited to the 2015 maximum of \$13,400 per child. Let's say the person had \$5,000 in expenses each year and enough tax liability to use the full amount. They would claim and receive \$5,000 with their 2014 taxes. With their 2015 taxes, they would list the \$10,000 in expenses for 2014 and 2015 and would receive \$8,400—the \$13,400 maximum less the \$5,000 they received in 2014. Of course, if the parents don't have sufficient tax liability, they may never use the full benefit.

Claiming for Failed Adoptions

We also hear quite a bit of misinformation from families who have experienced a failed adoption followed by successful adoption. In cases such as these, it's important to tell people that they are able to claim it only as one adoption, not two. For example, if a couple had \$12,000 in qualified adoption expenses in attempt to adopt one child from the U.S. in 2012, they can claim those expenses with their 2013 taxes. If they went on to adopt in 2015, the IRS considers it part of the same effort to adopt one child, and they are limited to the 2015 maximum of \$13,400. That means they can benefit only up to \$1,400 for their expenses incurred in the second attempt.

The Form 8839 instructions are clear:

In general, the dollar limitation requires you to combine the qualified adoption expenses you paid if you made more than one attempt to adopt one eligible U.S. child. When you combine the amounts you spent, complete only the "Child 1" line.... Complete the "Child 2" or "Child 3" lines only if you adopted or tried to adopt two or three eligible children.

Example 1. You planned to adopt one U.S. child. You paid \$10,000 of qualified adoption expenses in an unsuccessful attempt to adopt a child. You later paid \$8,000 of additional qualified adoption expenses in a successful adoption of a different child. Complete only the "Child 1" line because you made more than one attempt to adopt one eligible child.

We encourage everyone to raise awareness about the adoption tax credit. It's an important benefit to promote adoption. But we want to ensure parents know the credit's limits, particularly if they have low or moderate income. And, of course, NACAC continues to lobby for a refundable adoption credit so that more families will benefit and be able to adopt.

*Taken from North American Council on Adoptable Children's Winter 2015 Adoptalk • pages 15 and 16.
For more information, please visit: <http://www.nacac.org/>*



Below are a couple of examples of how the tax credit might benefit families who finalized adoptions in 2014 (these are simplified examples, which do not take into account the Child Tax Credit.)

Example 1 — A couple adopted two brothers who had been determined to have special needs. The parents had \$6,500 in federal income tax withheld from their paychecks, and their tax liability is \$7,000, which means they would normally owe \$500 to the IRS. Their adoption tax credit is \$26,380, and they can use \$7,000 (their tax liability) of that with their 2014 taxes. They get a refund of the \$6,500 they had already paid, and can carry over \$19,380 for up to five more years.

Example 2 — A couple adopted three siblings with special needs. They had \$1,000 in federal income tax withheld from their paychecks, and their tax liability is \$0, which means they would receive a refund of \$1,000. They have \$39,570 in the adoption tax credit, but they cannot use it with their 2014 taxes since they have no federal income tax liability. They should still file Form 8839 with their 2014 tax return so that they can establish the credit, and carry it forward for up to five additional years in case their tax liability goes up in the future or the credit becomes refundable.

Upcoming Film Screening and Discussion:

THE DARK MATTER OF LOVE

****The family featured in the documentary lives in Wisconsin and will be available for a talk-back session following the film.****

93 min - Documentary

How does giving and receiving love affect the brain? Is it ever too late to learn how to love and be loved? This fascinating, affecting film follows the Diaz family of Wisconsin in the aftermath of their adoption of three Russian children: Masha, Marcel and Vadim.



Saturday, April 18, 2015 from 1-3:30pm
Bishop O'Connor Center, Madison
702 S. High Point Road
Madison, WI 53719

MUST RSVP: Judi Hoang or Amy Steuer at 800-236-4673 or
postadoption@ccmadison.org **SPACE IS LIMITED**



POST ADOPTION RESOURCE CENTER'S ANNUAL PICNIC

For adoptive families
Food, Fun, & Entertainment
Saturday, June 20, 2015
from 11:30am - 1:30pm

Lake Farm Park, Shelter #1
4330 Libby Road, Madison WI 53711

~FREE~

MUST RSVP— Space is Limited
postadoption@ccmadison.org
800-236-4673

Family Nights at the KALAHARI

May 1, 2, 8, 9, 22, 29, and 30
June 5, 6, and 12

June 28, 29, 30, July 1, 2 (stay for any or all 5 nights!)

Room rates:

- \$119-\$129 per night Hut Rooms (up to 4 guests)
- \$149-\$159 per night Lodge Suites (up to 4)
- \$259-\$288 per night Combo Suites (up to 8)
- \$369-\$417 per night Village Suites (up to 12)
- plus tax & resort fees
- Saturday night stays only available if you also stay Friday night.

Just call 1-877-525-2427 and mention the "Don White Block" to get the special deal. You can also reserve online for most dates here:

<http://kalaharifamilynights.com/make-a-reservation>



Culture Camp for adoptive families
raising black and bi-racial children.

Oct 16-18, 2015
Green Lake Conference Center
Green Lake, WI

For more information and to register:
www.umojabhe.com

Children's Therapy Network
2015 Summer Group
Post-Adoptive/Foster Families
Monday's 3:00-4:00

This one of a kind group is both for parents and children led by our family and child mental health clinician and an occupational therapist. This group will include parents and children as well as parallel groups for additional skill development for just parents and just children. Parents will be supported with managing and understanding daily stressors related to post-adoptive issues. Children will also be participating in group supporting skills to enhance relationships, engagement, and regulation.

For more information: <http://www.ctn-madison.com/>



Catholic Charities
1810 S. Park Street
Suite 200
Madison, WI 53713

Phone: 608-256-2358
Toll Free: 1-800-236-4673

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ORGANIZATION
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Support Groups

Canopy Center's Parent Stressline

Phone: (608) 241-2221

A listening line open to callers 14 hours a day, from 8am to 10pm, 365 days a year. Anonymous and confidential. Staffed by trained parent advocates.

Knit Together Adoption Support Group

Led by Pastor Jeremy & Nicole Straus (adoptive/foster parents). Held at Grace Evangelical, 4127 County Road AB, Madison, WI. 1st Saturday of each month = informal dinner and games for whole family; 3rd Saturday of each month = parent training with free child care. Contact: (608) 957-4423 or knit-together@hotmail.com

Wisconsin Family Ties

Parent Support Group Meetings

For parents raising children with emotional, behavioral, mental and/or substance abuse issues disorders. Contact: (608) 267-6888 or (800) 422-7145 or info@wifamilyties.org

Latin American Adoptive Families of Wisconsin (LAAF-WI)

Provides support, guidance & information for families wishing to or have adopted from Latin America. Contact: Tami Stubbe at SouthwestRegion@laafwi.org

FACE-Kids

Quality mental health group counseling services for children who are in need of supportive group counseling in Dane and Rock counties. Community partner agencies: Catholic Charities (lead agency), Children's Service Society, Family Service Madison, Agrace, Lutheran Social Services, Journey Mental Health, and The Rainbow Project. Contact Jessica Wright at (608) 256-2358 or jwright@ccmadison.org

Families Through Korean Adoption

Group meets at various locations to provide support in a social setting to families in the process of or who have already adopted children from Korea. Contact: FTKAmadison@gmail.com or see www.ftkamadison.org

Madison Families with Children From China

madisonfamilieschinesechildren@gmail.com
Facebook: "Families with Children from China—Madison, WI"
A resource and referral group.

Milagros de Guatemala

A support network for families who have adopted from Guatemala. Contact: Lori DuRussel at (608) 833-4211 or lduruss@yahoo.com

Reactive Attachment Disorder Support Group

A monthly support group for parents who are raising children with Reactive Attachment Disorder. Contact Tish Carlson for location details at (608) 495-0117 or tishricarlson@ymail.com

The Rainbow Project—Grandparents & Other Relatives as Parents

Phone: (608) 255-7356
Email: info@therainbowproject.net
<http://therainbowproject.net/programs>

FRUA (Families for Russian and Ukrainian Adoption)

- includes neighboring countries
Contact: Jodi McMahon, FRUA Upper Midwest Chairperson
Email: fruauppermidwest@gmail.com
Website: <http://www/frua.org/>

Teen/Preteen Support Group

Contact: Amy Steuer, PARC
Phone: (800) 236-4673, ext. 21 (Toll-Free)
Email: postadoption@ccmadison.org
Six week sessions. Screening interview is necessary to participate.

For more information, please visit PARC's website at : www.ccmadison.org