

**Abstract:** Two tax benefits may be available to offset the expenses of adopting a child. In 2023, adoptive parents may be able to claim a credit against their federal tax for up to \$15,950 of “qualified adoption expenses” for each child. That’s a dollar-for-dollar reduction of tax. And there may be tax relief for some employees under programs offered by employers.

## **Adopting a child? Bring home a tax break too**

Two tax benefits are available to offset the expenses of adopting a child. In 2023, adoptive parents may be able to claim a credit against their federal tax for up to \$15,950 of “qualified adoption expenses” for each child. That’s a dollar-for-dollar reduction of tax.

Also in 2023, adoptive parents may be able to exclude from gross income up to \$15,950 of qualified expenses paid by an employer under an adoption assistance program. Both the credit and the exclusion are phased out if the parents’ income exceeds certain limits.

Parents can claim both a credit and an exclusion for expenses of adopting a child. But they can’t claim both a credit and an exclusion for the same expenses.

### **Qualified expenses**

Only “qualified adoption expenses” are eligible for the adoption credit or exclusion. These are the reasonable and necessary adoption fees, court costs, attorney fees, travel expenses (including meals and lodging), and other expenses directly related to the legal adoption of an “eligible child.”

Not included in qualified expenses are those connected with the adoption of a child of a spouse, a surrogate parenting arrangement, a violation of state or federal law, or the use of funds received from a government program. Expenses reimbursed by an employer don’t qualify for the credit, but as explained above, benefits provided by an employer under an adoption assistance program may qualify for the exclusion. If an adoption attempt is unsuccessful, the related expenses may still qualify, if the child is a U.S. citizen or resident.

Taxpayers who adopt a special needs child can also take a credit or exclusion for \$15,950. This is true whether or not they had that amount in actual expenses.

### **Eligible child**

To be eligible, a child must be under age 18 when the expense is paid, though partial deductions may be available if a child turns 18 during the year. Adoptees who are incapable of self-care may qualify regardless of age.

A special needs child is one that a state determines can’t, or shouldn’t, be returned to his or her parent’s home, and due to certain factors, won’t be adoptable without assistance provided to the adoptive family. Only a child who is a citizen or U.S. resident can be included in this category.

## **Get the full benefit**

Contact us with questions. We can help ensure you get the full benefit of the tax savings available to adoptive parents.

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