



ANNOUNCEMENT: IRS accepts Adoption Assistance Agreement as determination of special needs adoptions

Exciting news! The IRS has provided clarification regarding documentation for claiming the Federal Adoption Tax Credit for special needs adoptions. The Internal Revenue Service has posted official language that indicates that Adoption Assistance or Subsidy Agreements are acceptable documentation of special needs. The IRS website now lists the following FAQ's:

Q.11 What documentation will the IRS require you to provide to support your claim for the adoption credit on your return?

A. IRS requires different documents if the adoption is foreign or domestic, final or not final, and if the adoption is of a child with special needs.

Q.13 What audit documentation is necessary for special needs adoptions?

A. If you are claiming the credit for a finalized special needs final adoption, you must submit the final adoption order or decree, and the state's determination of the child's special needs. You are not required to prove you paid any expenses in connection with the adoption.

You will need to send in a state court adoption certificate, order, judgment, or final decree showing the names of the adoptive child and parent and signed by a representative of the state court under seal. Also include documentation from the state establishing that the child has been determined to have special needs. . Acceptable documentation of the state's determination of special needs includes (but is not limited to) any of the following:

- An adoption assistance or subsidy agreement issued by the state or county
- Certification from the state or county child welfare agency verifying that the child is approved to receive adoption assistance
- Certification from the state or county child welfare agency verifying that the child has special needs



Voice for Adoption

SPEAKING OUT FOR OUR NATION'S WAITING CHILDREN



Families who adopt a U.S. child with special needs do not have to document expenses in order to claim the federal adoption tax credit (in law since 2003).

Voice for Adoption (VFA) and other advocates have been tracking general issues related to the recent changes with the adoption tax credit. Many thanks to the North American Council on Adoptable Children (NACAC), who have dedicated staff working closely with adoptive parents and the IRS to provide feedback on the process. We have been informed that the IRS is carefully reviewing each and every case. Some families have received partial tax refunds, resubmitted materials or have been denied (some incorrectly denied). If you have been denied the credit you should contact staff at [NACAC](http://www.nacac.org) who are fielding specific calls. We encourage families to comply with any notification received from the IRS, meaning resubmitting documents if asked. We also encourage families to be patient if they have already received notification saying the IRS is processing the materials. We learned of a family that received interest for delayed refunds!

The Future of the Adoption Tax Credit:

- 2010 – Past filing year. The credit was \$13,170. Refundable. No documentation of expenses for special needs adoptions.
- 2011 – The credit is \$13,360. Refundable. No documentation of expenses for special needs adoptions.
- 2012 – The credit amount will be around \$12,500. NOT refundable. No documentation of expenses for special needs adoptions.
- 2013 – The credit will be \$6,000. NOT refundable. Families will need to document qualified expenses.

View the IRS official language listed in this announcement and other FAQ's at:
<http://www.irs.gov/individuals/article/0,,id=231663,00.html>

Helpful contacts: VFA: <http://voice-for-adoption.org/> NACAC: <http://www.nacac.org/>
Taxpayer Assistance Centers: <http://www.irs.gov/localcontacts/index.html>

