

How the Adoption Tax Credit Works



BILLS

Tax Service

Adoption Tax Credit Specialist®

Poll Time!!!

Meet Our Panelists



Becky Wilmoth



Jared DeLong



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Jared DeLong



Becky



Jared

Special Guest: Matthew Enoch

Matthew and Allison adopted their son in 2021 and decided to adopt again in 2024



They adopted their daughter last year, and she turns 1 next month!





They did a Both Hands project to fund her adoption!

The screenshot shows a fundraising page for a family named Matthew & Allison Enoch. The page features a video thumbnail of the family, a progress bar showing \$56,130 raised of a \$60,000 goal (93% complete), and a 'Donate Now' button. The page also includes social sharing options and three informational icons: '100% of donations received goes to the cause', 'Your donation is tax deductible', and 'Give quickly and securely online'. The page is branded with the Both Hands logo and navigation links.

BOTH HANDS One for the Orphan™
One for the Widow

About Us ▾ How it Works ▾ Why it Works Projects Resources ▾ Give Get Started →

\$56,130
Raised of \$60,000 goal
93%

Donate Now

Share:
Facebook X Email

100% of donations received goes to the cause
Both Hands doesn't take any administrative fees from donations to projects.

Your donation is tax deductible
Both Hands is a registered 501(c)3 nonprofit so you can give with confidence.

Give quickly and securely online
Click the button above to make a life-changing impact today!

Matthew & Allison Enoch
September 21, 2024 | Columbia, TN

We are so excited to be adopting again! We adopted our precious boy Gabriel in 2021, and we feel that God has prepared our hearts, home, and community to bring another child into his or her forever home! We are not able to have children biologically, and while we have walked through the pain of infertility, God in his providence has made it possible for us to take part in one of the most vivid displays of the gospel in action: adoption. "God sent his Son... to redeem those under the law, so that we might receive adoption as sons." (Gal. 4:4-5)

Donations to this project will be matched up to \$5,000!

What is the Adoption Tax Credit?

- A tax credit is the amount taxpayers can subtract from the income taxes they owe.
- This is a one-time credit and the amount you can claim depends on the year you finalized your child's adoption.
- If you do not use the entire credit in the first year, you can carry over the credit for up to five years.



The 2026 maximum credit is **\$17,670!**

- \$5,120 of the Adoption Tax Credit is **fully refundable** and \$12,550 is non-refundable

Tax Term Definitions...

- **Tax credit** - the amount taxpayers can subtract from the income taxes they owe, but have not yet paid
- **Tax deduction** - lowers your income, which in turn lowers your taxes according to your tax bracket
- **Tax refund** - the amount you have either overpaid in your withholding plus any refundable credits you qualify for
- **Withholding** - the amount of taxes deducted from your paycheck per pay period with the total reported on your W2
- **Federal tax liability** - the taxes you owe on your taxable income according to your IRS tax bracket (*line 16 on your 1040*)

History of the ATC

- The Adoption Tax Credit was enacted as a way to help make adoption **more affordable**.
- The “American Taxpayer Relief Act of 2012” made the ATC **permanent** at \$12,970 for 2013. Since then the amount has increased w/ inflation.
- On December 22, 2017 the “Tax Cuts and Jobs Act” also preserved the **IRS 26 U.S. Code § 23 - Adoption expenses code**.
- **Some states** also offer a one-time Adoption Tax Credit or a continued Credit until adopted child is 18 years of age.
 - Offered as credit, deduction or exclusion
 - Some refundable, others are not
 - Eligibility differs



What Expenses Qualify?

- Adoption expenses include all costs directly relating to the adoption considered reasonable and necessary.
- **Eligible expenses** must be "directly related" home study fees, agency fees, legal fees, court costs, and travel expenses.
 - See expenses listed here: [irs.gov/credits-deductions/individuals/adoption-credit](https://www.irs.gov/credits-deductions/individuals/adoption-credit)
- **Failed adoption expenses** may qualify, but the credit amount received must be taken off any following successful adoption. The two adoption efforts will be considered as one adoption and subject to the dollar limit per eligible child.

Who Qualifies for the ATC?

- **Private, Domestic, or International Adoption:** You qualify for the ATC if you adopted a child (except spouse's child) and paid out-of-pocket expenses related to the adoption.
 - The amount of the tax credit you qualify for is directly related to how much you spent on qualified adoption-related expenses.
 - Income can also be excluded as taxable through an employer-provided adoption benefit program.
 - Both a credit and exclusion may be claimed for the same adoption; however, both cannot be claimed for the same expense.
- No international adoption is considered special needs for IRS purposes, so it will be for amount of qualified expenses.

***What about adoption through foster care? 🙋*

Who Qualifies for the ATC (cont'd)?

- **Foster Adoption:** If you adopt a special needs child through foster care, you are entitled to claim the full amount of the ATC without any out of pocket expenses.
 - Each state has different criteria that qualify a child as special needs.
 - The required special needs declaration must come from the state in which the adoption was finalized.
 - The “Subsidy Agreement” has the determination of special needs that the IRS accepts. Some states call it the “Adoption Eligibility Assistance Determination.”

Amounts & Income Ranges

Tax Credit Amounts:

- **2026:** \$17,670 (\$5,120 refundable)
- **2025:** \$17,280 (\$5k refundable)
- **2024:** \$16,810, non-refundable
- **2023:** \$15,950, non-refundable
- **2022:** \$14,890, non-refundable

Income Phase Out Ranges:

- **2026:** \$265,080 - \$305,080
- **2025:** \$259,190 - \$299,190
- **2024:** \$252,150 - \$292,150
- **2023:** \$239,230 - \$279,230
- **2022:** \$223,410 - \$263,410

QBOAD | Adoption Benefits

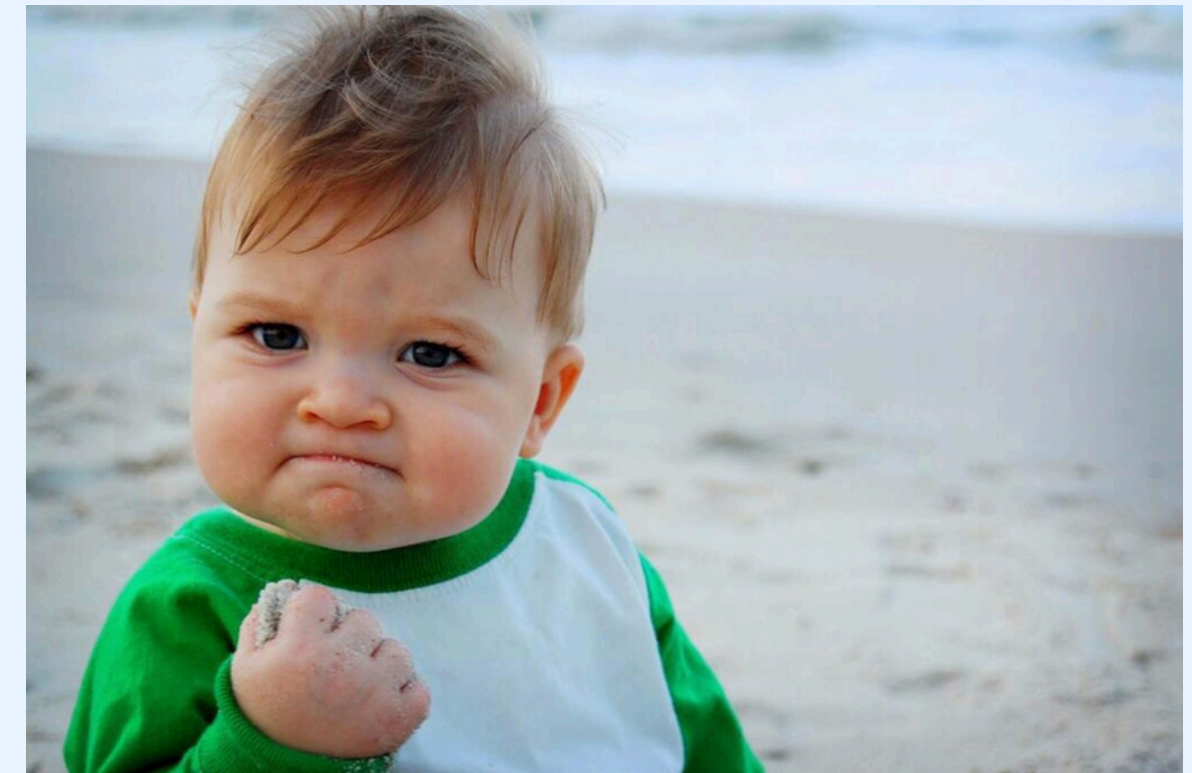
- The SECURE Act added a new exception for a “qualified birth or adoption distribution” for the year the adoption is finalized.
- Qualified birth or adoption distribution from any eligible retirement plan up to \$5,000 without the 10% penalty if you are under 59½.
- The QBOADS are limited to \$5,000 per individual (not family) for each birth or adoption.



Preparing for the Tax Credit

- Organize your expenses and track everything in a folder.
- For international expenses, make copies of all receipts (**the ink fades!**)
- Work with a reputable tax credit specialist for your taxes.
- Research possible State Tax Credits in your state
- Look at your W-2 tax withholding amount.
Don't change your withholding yet!
- Contact your state representative to advocate for it becoming fully refundable.

****What documentation do you need? 🙋**



What Documentation is Needed for the IRS?

1. Final Judgment/Decree of Adoption (all adoptions)
2. Adoption Assistance Eligibility Determination (Subsidy Agreement) that declares the child special needs, if claiming credit for a child declared special needs by your state through foster care. (foster adoptions)
3. A home study/placement agreement completed by an authorized placement agency. (all adoptions except foster)
4. All documentation of paid qualified expenses. (all adoptions except foster)
5. All documents must be signed and dated by authorities (all adoptions) The IRS will not accept any Home study/Placement agreement, Judgment of Adoption, or Subsidy agreement/Eligibility agreement without it being signed and dated by the proper authorities.

Other Info to Know!

- All grants are subtracted from qualified expenses
- If special needs child – no expenses necessary!
- Cannot be child of either parent (stepchild)
- Tax Credit vs. Deduction:
 - A tax credit is a dollar for dollar reduction in your overall tax liability
 - A tax deduction lowers your income, which in turn lowers your taxes according to your tax bracket
- Adoption assistance provided by an employer may be excluded from an employee's taxable income
- If filing an extension is necessary because you do not have all tax documents needed, remember an extension is for filing your return, **not** an extension to pay a balance due.
 - The IRS and your state may charge penalties and interest if the balance due is not paid by the original due date of the return (usually April 15th).

Important Links

**Legislation Concerning
Adoption Tax Credit**

www.adoptiontaxcredit.org

ATC IRS Form 8839

www.irs.gov/pub/irs-pdf/f8839.pdf

Resources

Bills Tax Service: www.billstaxservice.com

Common FAQs: adoptioncouncil.org/article/adoption-tax-credit-questions/

How to Fund Your Adoption in 2026



Both Hands Project

1. The adoptive family recruits their team
2. They find a widow in their community to serve
3. Their team sends fundraising letters to raise sponsorships
4. Their team serves the widow with free home improvements
5. All funds raised goes toward's the family's adoption costs





Types:

- Service-based fundraising model:
 - Adoption projects average \$23k
 - \$3,000 matching grants available
 - \$1,000 supply grants available
 - No fees deducted

Application Process:

- Must be home study approved
- Applications reviewed in 1-2 weeks (can request to expedite)

Disbursements:

- Pay providers directly at any stage
- Can reimburse families for qualified adoption expenses previously paid

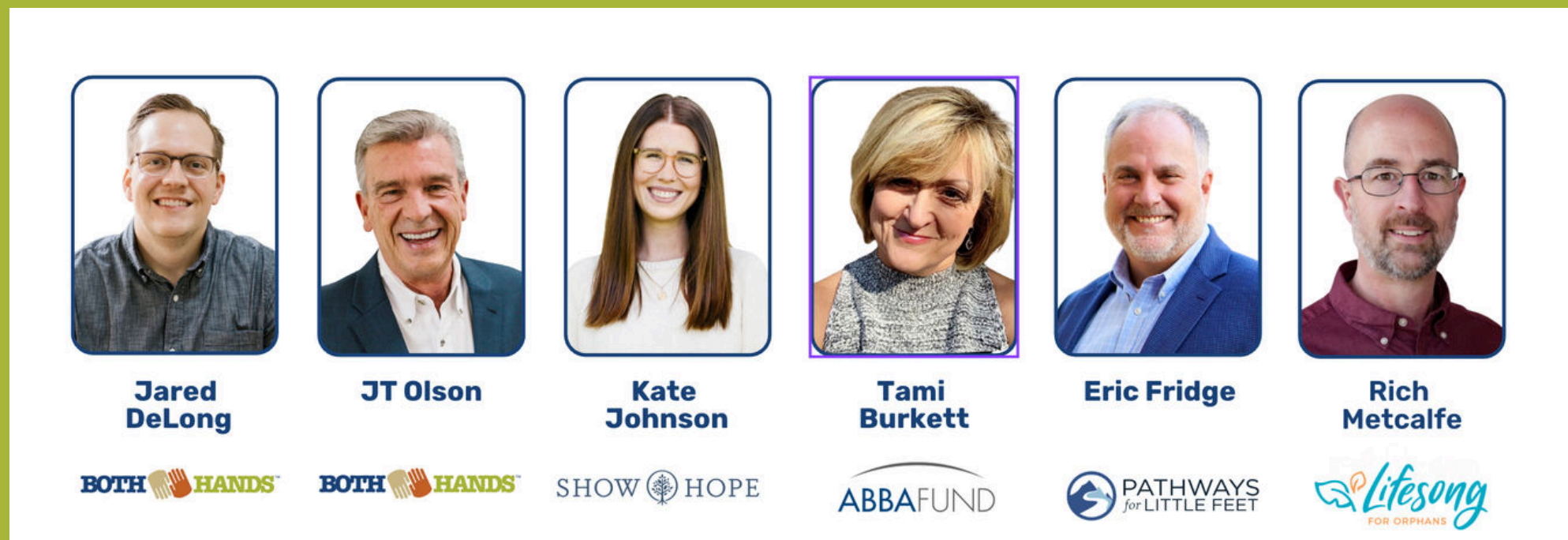
Other Fundraising Support:

- Post-adoption costs
 - Medical, mental health, therapies
- Church adoption fund
- Orphan care + foster care ministries



Apply at **BothHands.org**

How to Fund Your Adoption in 2026



Email jared@bothhands.org
[bothhands.org/how-to-fund-your-adoption-in-2026-
webinar/](https://bothhands.org/how-to-fund-your-adoption-in-2026-webinar/)

*Scan for the
recording!*



Becky Wilmoth



Questions?

**To speak to an Adoption
Tax Credit Specialist call:**

1-888-7ADOPT0

becky@billstax2.com

www.billstaxservice.com