

# TAX IMPLICATIONS FOR FOSTER ADOPTIVE FAMILIES

Every year, I have families approach me with questions regarding the Federal Adoption Tax Credit and how to claim their foster children as dependents. Here are answers to some common questions...

**////Question:**  
Can I claim my foster child as a dependent?

**////Answer:**

Yes, as long as the following conditions apply:

- the foster child is 18 or younger (or under age 24 if a full-time student)
- the child lived in your home for 6 months or more of the tax year (Jan 1 – Dec 31)
- you provided at least half of the child's financial support

Keep in mind, only one person can claim any child.

If you intend on claiming your foster child as a

dependent, you will need to ask your caseworker for the child's Social Security Number.

**////Question:**  
Do I qualify for the Federal Adoption Tax Credit if I adopted a child in 2018?

**////Answer:**

Yes, likely so – if you adopted a child other than a stepchild. If you finalized an adoption in 2018, you might be eligible for the Federal Adoption Tax Credit. If your 2018 modified adjusted gross income is greater than \$247,140, you will not qualify for the credit.

To obtain the Adoption Tax Credit, you must





prove your qualified adoption expenses. Qualified adoption expenses are paid expenses that are reasonable and necessary to complete the adoption. The maximum amount of the Tax Credit for 2018 is \$13,810. If your expenses were less than that maximum Tax Credit amount, you might only claim your actual costs. If you spent more than the maximum Tax Credit amount for adoption-related expenses, your maximum credit is \$13,810 per child. You should provide your accountant with receipts for your expenses as well as retainer agreements or contracts for any professionals you engaged.

The Tax Credit is a non-refundable tax credit which means that the Tax Credit will be applied to your outstanding tax liability. So, if for example, you owe \$15,000 in tax and you spent the maximum Tax Credit amount of \$13,810 on adoption-related expenses... your overall tax liability would be reduced to \$1,190.

### **////Question:**

What if I didn't have any adoption-related expenses because I adopted my child through foster care. Can I still qualify for the Tax Credit?

### **////Answer:**

Yes. You can still qualify for the Tax Credit if you adopted through foster care. During the adoption process with DCP, the Division makes a determination regarding whether the child has "special needs." If it is determined that the child has "special needs" then the adoptive parents will receive an adoption subsidy for the child until the child turns 18. So long as your case qualifies for a subsidy – which is in about 90% of foster care adoptions – you are eligible for the Tax Credit. You do not have to provide any receipts or proof of expenses. You would, however, want to provide your accountant with the final Subsidy Agreement from the State.

"Special needs" does not mean that a child must have a diagnosis or any serious medical or emotional issues. In some cases, placements are

considered "special needs" because a child was exposed to drugs or alcohol in utero, the child has a family history of mental health issues, the child is older, the child is part of an ethnic minority, the child was part of a sibling group, etc.

### **////Question:**

Is there a New Jersey Adoption Tax Credit?

### **////Answer:**

No. The Adoption Tax Credit is only on the Federal level. ★



**Maggie Moriarty, Esq.** is a member of the Adoptive Families National Infertility & Adoption Directory. She is also an active foster parent and a volunteer for Embrella, a foster care support network.



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