

ADOPTION TAX CREDIT

Prior Law

Previously Iowa did not have an adoption tax credit.

There was an income tax deduction available for expenses paid or incurred by the taxpayer in connection with the adoption of a child, not to exceed 3% of the taxpayer's net income.

New Provisions

Taxpayers can receive an Adoption Tax Credit for the value of expenses paid or incurred in connection with the adoption of a child during the tax year of up to \$2,500 per adoption.

"Adoption" means the permanent placement of a child in this state by the Department of Human Services, a licensed agency, an agency that meets the provisions of the interstate compact on the placement of children, or by a person making an independent placement under Iowa Code chapter 600. "Child" is any individual under the age of 18. "Qualified adoption expenses" are unreimbursed expenses that do not violate state or federal law, paid or incurred in connection with the adoption of a child. These include the biological mother's medical and healthcare expenses that are incident to the birth of the child as well as welfare agency, legal, and other fees related to the adoption.

Any adoption credit that exceeds the taxpayer's tax liability is refundable, and the taxpayer can choose to have any overpayment credited to the next year's tax liability rather than refunded.

The Department of Revenue and the Department of Human Services are jointly responsible for administering this section.

Taxpayers claiming the new Adoption Tax Credit must exclude the expenses claimed under the credit when they calculate the value of the income tax deduction available for adoption expenses. The deduction is still available for expenses not claimed under the credit.

Section Amended

Section 1 of 2014 Iowa Acts House File 2468 adds a new code section, Section 422.12A, Code 2014. Section 2 of HF 2468 amends Section 422.9, subsection 2, paragraph c, Code 2014.

Effective Date

Retroactive to January 1, 2014 for tax years beginning on or after that date.