

ADOPTION TAX BENEFIT CHANGES

Prior Law _____

An individual income taxpayer may deduct from net income unreimbursed expenses paid or incurred in connection with the adoption of a child by the taxpayer. This deduction is limited to those expenses that exceed three percent of the taxpayer's net income. Previously, allowable expenses included, but were not limited to, fees and costs relating to the adoption of a child if the child was placed by a child-placing agency licensed under Iowa Code chapter 238 or by a person making an independent placement under Iowa Code chapter 600.

An individual income taxpayer may also claim an adoption tax credit equal to the amount of qualified adoption expenses paid or incurred by the taxpayer during the tax year in connection with the adoption of a child. Previously, an adopted child could be placed in Iowa by the Department of Human Services, by an agency that met the provisions of the interstate compact in Iowa Code section 232.158, by a licensed agency under Iowa Code chapter 238, or by a person making an independent placement according to the provisions of Iowa Code chapter 600.

New Provisions _____

2017 Iowa Acts Senate File 433 makes several changes to the adoption process. Among other provisions, the bill defines "adoption service provider" to include a licensed child-placing agency or a licensed attorney. The bill also eliminates the "independent placement" of a child, thereby only allowing adoption service providers and the Department of Human Services to place children for purposes of adoption. Accordingly, the bill changes the adoption expense deduction and the adoption tax credit by eliminating references to child-placing agencies and independent placements. The bill also recognizes placement by newly-defined adoption service providers for purposes of the adoption expense deduction and the adoption tax credit.

Sections Amended _____

Section 1 of 2017 Iowa Acts Senate File 433 amends Section 422.9, Code 2017. Section 2 amends Section 422.12A, Code 2017.

Effective Date _____

July 1, 2017