DATE: May 1, 2010

POLICY DIRECTIVE: SSA# 10-26

TO: Directors, Local Departments of Social Services
    Assistant Directors of Social Services
    Local Departments of Social Services

FROM: Carnitra D. White, Executive Director
    Social Services Administration

RE: Adoption Tax Credit

PROGRAMS AFFECTED: Out-of-Home Placement Services (Foster Care Services) and Resource Units

ORIGINATING OFFICE: Children and Family Services

ACTION REQUIRED OF: All Local Departments

REQUIRED ACTION: Implement Policy and Procedures

ACTION DUE: Immediate

CONTACT PERSONS: Jill Taylor, Manager
    Out-of-Home Services
    410-767-7695

    Debbie Ramelmeier, Director
    Office of Child Welfare Practice and Policy
    410-767-7506
Purpose

This policy directive describes the Adoption Tax Credit available under the Fostering Family Connections to Success and Increasing Adoptions Act of 2008, H.R. 6893.

Background

A federal Adoption Tax Credit has existed since 1997. The credit is not refundable, meaning it can only be applied to actual federal income taxes owed. Starting in 2002, the maximum tax credit was set at $10,000 per adoption, whether the adoptive placement was a special needs child or a non special needs child. The tax credit is applied to qualified adoption costs as defined by the IRS but for special needs the maximum amount can be applied whether or not the taxpaying family incurred the maximum allowed. Since 2002, the maximum credit for special needs has been adjusted for inflation with the maximum set at $12,150 in 2009. An annual inflation related adjustment will continue to occur moving forward. A family may spread the credit over five years.

Requirements for Local Departments of Social Services

The local department of social services is required to inform every individual who is adopting, or whom the State or Tribe is made aware is considering adopting, a child who is in foster care under the responsibility of the State or Tribe, of the potential eligibility for a Federal tax credit under section 23 of the Internal Revenue Code of 1986.

General information regarding the federal tax credit shall be shared at all Information Meetings, and specifics may be offered again as families move forward with a placement and permanency plan for an individual child or sibling group.

For more detailed information about the Adoption Tax Credit, please go to the Internal Revenue Service Website at www.irs.gov, and type “adoption tax credit” into their search engine. For further information as to how the tax credit is to be applied to specific adoptive family tax situations please refer families to their own accountant/professional tax preparer.