

One of the most dynamic forms of government support for adoptions over the past 10 years has been the implementation of the Hope for Children Act ([H.R.622](#)). Since being revised in 2001, it has helped reduce the costs of international and domestic adoptions to such a degree that, as a result, hundreds and thousands of parents have been encouraged to adopt. This means that an incredible number of children now have loving families! Here are some facts you might not have known about the Hope for Children Adoption Tax bill. How did the tax credit originate?

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The work to reform the adoption tax credit began in 1999 with the joint initiative of Newt Gingrich and Tom Bliley. The bill was passed on June 7, 2001 by the US House of Representatives Act by a vote of 420 to 0 and subsequently signed into law by President Bush, going into effect as public law on January 1, 2002.

Mr. Bliley retired from Government service prior to the passage of the bill. In his honor, the bill maintained the name "[Tom Bliley Hope for Children Tax Credit](#)".

One member of the House, Representative Jim DeMint stated, "The Hope for Children Act will help to build more loving, stable families in America and send a strong signal all across our land that every child is a wanted child. Because of the high cost of adoption, many couples are prevented or delayed from moving forward in the adoption process. The Hope for Children Act will ease this financial burden and help make adoption a reality for those who want to open their hearts and homes to children in need."

How exactly does the Hope for Children Tax Credit benefit adoptions?

The Hope for Children Act (H.R. 622—Hope for Children Act) is legislation that expanded the adoption tax credit from \$5,000 to \$10,000 for all adoptions, enabling thousands of people to adopt who otherwise wouldn't be able to do so. The adoption tax credit for special needs (\$6000 per special needs child) was already permanent in the current law. H.R. 622 made permanent the adoption tax credit for all children. It is a healthy start to ensuring more children find a loving home.

While most adoptions cost over \$10,000, raising the limit has enabled more families in their efforts to adopt a child in need. The Act is indexed for inflation to ensure that the tax credit and income limitations continue to rise alongside the cost of living. Additionally, the full credit can be claimed for adjusted gross income (AGI) of up to \$150,000 and is gradually phased out for incomes between \$150,000 and \$190,000. The tax credit exempts the beneficiaries from the Alternative Minimum Tax (AMT) as a result of claiming the credit

The Hope for Children Adoption Tax Credit continues to help 1000's of Children:

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So how does the tax credit work?

The Adoption Tax Credit is filed on form [8839 \(Qualified Adoption Expenses\)](#), entered on line 50 of the 1040 form and attached to your tax return.

Note: It is advised that you see a tax expert to ensure that your credit is properly filed.

Claims for the credit are allowed in the taxable year following the tax year in which the expenses were incurred. However, if the expenses are incurred in the tax year in which the adoption becomes final, the expenses are allowable that year. An adoptive family that cannot use the full amount can carry forward any unused portion of the credit for up to five years. The Internal Revenue Service outlines "qualifying adoption expenses" as "reasonable and necessary adoption fees, court costs, attorney fees, traveling expenses (including amounts spent for meals and lodging) while away from home, and other expenses directly related to, and whose principle purpose is for, the legal adoption of an eligible child."

This bill also increases the adoption tax exclusion (from gross income) for adoption expenses paid or reimbursed by an employer to \$10,000 per child for all adopted children. The credit and exclusion could not be applied to the same adoption expenses. A taxpaying family can be eligible for both the credit and the exclusion if the employer paid expenses are different from the adoption-related expenses incurred directly by families (and claimed with respect to the credit).

The Tax Credit was designed to last:

According to a Legislative Bulletin in Cost to Taxpayers: The Joint Committee on Taxation estimates that H.R. 622 would save taxpayers \$47 million in FY2002, \$973 million in FY2002 through FY2006, and \$2.6 billion in FY2007.

Contact the Internal Revenue Services at 1-800-829-1040 with your specific questions.