



### **Adoption tax credits: Easing the financial journey of parenthood**

There are two tax breaks that help eligible parents offset the expenses of adopting a child. In 2025, adoptive parents may be able to claim a credit against their federal tax for up to \$17,280 of “qualified adoption expenses” for each child. This is up from \$16,810 in 2024. A tax credit is a dollar-for-dollar reduction of tax.

Also, adoptive parents may be able to exclude from an employee’s gross income up to \$17,280 in 2025 (\$16,810 in 2024) of qualified expenses paid by an employer under an adoption assistance program. Both the credit and the exclusion are phased out if the parents’ income exceeds certain limits detailed below.

Parents can claim both a credit and an exclusion for the expenses of adopting a child. But they can’t claim both a credit and an exclusion for the same expenses.

### **Which expenses qualify?**

To be eligible for the credit or the exclusion, the expenses must be “qualified adoption expenses.” These are the reasonable and necessary adoption fees, attorneys’ fees, court fees, travel expenses (including meals and lodging), and other costs directly related to the legal adoption of an “eligible child.”

Qualified expenses don’t include those incurred when adopting a spouse’s child or arranging a surrogate parent. They also don’t include expenses that violate state or federal law or those paid using funds received from a government program. Expenses reimbursed by an employer don’t qualify for the credit, but benefits provided by an employer under an adoption assistance program may be eligible for the exclusion.

Expenses related to an unsuccessful attempt to adopt a child may qualify. Expenses connected with a foreign adoption (the child isn't a U.S. citizen or resident) qualify only if the child is adopted.

Taxpayers who adopt a child with special needs are deemed to have qualified adoption expenses in the tax year in which the adoption becomes final in an amount sufficient to bring their total aggregate expenses for the adoption to \$17,280 in 2025 (\$16,810 in 2024). They can take the adoption credit or exclude employer adoption assistance up to that amount, whether or not they had those actual expenses.

### **Who is an eligible child?**

An eligible child is under age 18 at the time you pay a qualified expense. A child who turns 18 during the year is eligible for the part of the year he or she is under age 18. A person who is physically or mentally incapable of caring for him- or herself is eligible, regardless of age.

A special needs child refers to one whom the state has determined can't or shouldn't be returned to his or her parents and who can't be reasonably placed with adoptive parents without assistance because of a specific factor or condition. Only a child who is a citizen or resident of the U.S. is included in this category.

### **What are the phaseout amounts?**

The credit allowed in 2025 begins to phase out for taxpayers with adjusted gross incomes (AGIs) over \$259,190 (\$252,150 for 2024) and is eliminated when AGIs reach \$299,190 (\$292,150 in 2024).

Note: The adoption credit isn't "refundable." So, if the sum of your refundable credits (including any adoption credit) for the year exceeds your tax liability, the excess amount isn't refunded to you. In other words, you can only claim the credit up to the amount of your tax liability.