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May 22, 2012

To: Foster Parents, Pre-Adoptive Parents and Adoptive Parents

From: David Judkins, Deputy Director of Field Operations  
Regina Ashley, Deputy Director of Placement Support and Compliance  
Melissa Norman, Deputy Director of Permanency and Practice Support

Re: 2012 Adoption Tax Credit

We hope this letter finds you to be doing well. DCS appreciates your continued willingness to make a difference in the lives of Indiana's children through foster care and adoption. To that end, DCS feels it is important to maintain good communication about updates that could impact you and your family. This letter is to inform you of the federal tax credit made available to families that adopt children during calendar year 2012.

In 2012, a non refundable federal tax credit is available to adoptive families in the amount of \$12,650. To be eligible for the tax credit, the adoption must be finalized during calendar year 2012. It is available for foreign and domestic adoptions and expires on December 31, 2012. An article can be found at <http://www.reuters.com/article/2012/04/24/us-column-adoption-taxcredit-idUSBRE83N0VV20120424> discussing the tax credit in more detail.

The adoption tax credit for an adoption which occurred in 2011 was \$13,360. It was a "refundable" tax credit which would cover all of the taxpaying adoptive parent taxes up to \$13,360; but if federal taxes owed were less, the remaining amount would be paid to the taxpaying adoptive parent. In 2012, the adoption tax credit is "nonrefundable" which means a credit could be given for any amount up to \$12,650; but if the federal taxes owed are less than the credit amount, the remaining amount is not refundable or payable to the taxpaying adoptive parent. In addition, our most recent information indicates that there may not be an adoption tax credit for 2013. We understand that there is a tremendous effort to get Congress to extend the adoption tax credit for 2013 but to our knowledge this has not yet been passed.

Please know that DCS is not in a position to provide you with any sort of guidance on how to complete your individual tax return. In the event you have questions about how to claim this tax credit you may go to [www.irs.gov](http://www.irs.gov) or consult a tax specialist.

As always, thank you for your commitment to Indiana's children and families.



*Protecting our children, families and future*