
DEPARTMENT OF STATE REVENUE

Information Bulletin #111
Income Tax
March 2015
Effective Date: January 1, 2015

SUBJECT: Income Tax Credit for Eligible Adoptions

REFERENCES: [IC 6-3-3-13](#); Section 23 of the Internal Revenue Code

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SUMMARY

This bulletin provides information concerning the eligibility for an Indiana income tax credit if the taxpayer is eligible to claim the federal income tax credit for adoption expenses. The credit applies to taxable years beginning after Dec. 31, 2014.

INTRODUCTION

HEA 1222-2014 added [IC 6-3-3-13](#) effective Jan. 1, 2015, creating an adjusted gross income tax credit for individuals who are eligible to claim the federal tax credit for eligible adoption expenses.

AMOUNT OF CREDIT

An individual who is eligible to claim the federal credit for adoption on the individual's federal return for the taxable year is entitled to a credit against the individual's adjusted gross income tax liability. The credit is equal to the lesser of:

- (1) The amount of the credit allowable on the federal income tax return for each eligible child on the individual's federal return for the taxable year multiplied by 10 percent; or
- (2) \$1,000 for each eligible child.

The Indiana adoption credit may not exceed the amount of the taxpayer's adjusted gross income tax liability for the taxable year, reduced by the sum of all other allowable credits for the taxable year that are applied before the application of the adoption credit. The amount of any unused credit for a taxable year may not be carried forward to a succeeding taxable year, carried back to a preceding taxable year, or refunded.

If all or part of the federal credit for a taxable year beginning after Dec. 31, 2014, is required to be claimed in or carried forward to a taxable year after the taxable year in which the credit is first allowed as a credit, the credit shall be allowable for Indiana purposes.

However, a federal credit being carried forward that was first allowed in a taxable year prior to the effective date of HEA 1222-2014 for the federal return, shall not be allowable for Indiana purposes.

EXAMPLE

An Indiana couple adopted two children in 2014. The couple is allowed a carryforward of the federal credit to 2015 on their federal return. However, the 2015 carryforward for federal purposes is not an allowable credit against the taxpayer's Indiana adjusted gross income tax liability.

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Commissioner

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