



**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

**DISCLAIMER:** Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is inconsistent with current law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, information provided in this bulletin should serve only as a foundation for further investigation and study of the current law and procedures related to its subject matter.

**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.



Michael J. Alley  
Commissioner