

HOUSE RESEARCH

Bill Summary

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Overview

Allows a nonrefundable individual income tax credit of up to \$1,000 in adoption expenses.

Section

- 1** **Adoption credit.** Allows a nonrefundable credit of up to \$1,000 in adoption expenses. Defines adoption expenses by reference to mean expenses qualifying for the federal adoption credit. Does not allow unused credit amounts to be carried forward or backward to other tax years. The income limit for claiming the federal adoption credit (adjusted gross income of less than \$204,410 in tax year 2006) would not apply; the proposed credit would be in addition to the federal credit.

Effective beginning in tax year 2007.

Background. The federal adoption credit equals 100 percent of the first \$10,960 of qualifying adoption expenses for most adoptions and \$10,960 regardless of actual expenses for adoption of special needs children. Qualifying expenses include: adoption fees, court costs, attorney fees, traveling expenses while away from home (including meals and lodging), and other expenses directly related to legal adoptions. The federal credit phases out for taxpayers with incomes between \$164,410 and \$204,410. The credit is nonrefundable but may be carried forward for up to five tax years. The maximum credit amount and income level at which the credit phases out are adjusted annually for inflation.

