

## Illinois Adoption Tax Credit!

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The Illinois Department of Revenue (Public Act 100-0587) has made a great advancement for adoptive families with the creation of an Illinois Adoption Tax Credit. This will allow families who are in the process of adoption or have finalized an adoption effective for tax years ending on or after December 31, 2018 to claim this credit. If the adoption is not final, you must wait until the following tax year after the expenses were paid to claim the credit, same as federal guidelines. A taxpayer who received the federal adoption tax credit may be able to claim the new Illinois Adoption Tax Credit.

Per discussions with the Illinois Department of Revenue, they will follow federal guidelines concerning foster care special needs adoption qualifications for the federal adoption tax credit. Each state has a different criteria that qualifies a child as special needs in the foster care system. In the State of Illinois, any foster child over the age of one with a Subsidy Agreement in place that is adopted qualifies as special needs and therefore qualifies for the full amount of the federal and state adoption tax credit with no expenses.

The maximum amount of the credit is \$2,000 (\$1,000 for married filing separate) per eligible child or \$5,000 (\$2,500 for married filing separate) who is at least one year of age and an Illinois resident at time of adoption. You may file for the credit married filing separate. This is where the Illinois credit differs from federal credit. If the federal amount of the adoption tax credit is less than the \$2,000 or \$5,000, you will not be able to claim over that amount on your Illinois return.

Qualified expenses will follow federal guidelines as it is any necessary and reasonable expenses directly related to the adoption. You will not be able to claim the Illinois adoption tax credit for adopting your spouse's child, birth mother/surrogate expenses or any employer program reimbursement that you receive, which is also the same as the federal guidelines. To be eligible for the Illinois adoption tax credit the child must be an individual who has not reached the age of 18 or is physically or mentally incapable of caring for himself or herself.

For nonresident and part-year residents, the amount of credit is proportionate to the amount of Illinois based income. The credit will not be able to reduce your tax liability below zero, as it is a non-refundable credit. The amount of the credit you do not use the first year you are eligible to claim this credit, can be carried forward for up to five years, same as the federal credit.

