

**CHAPTER 1113**  
**INCOME TAX CREDIT FOR ADOPTION EXPENSES**  
*H.F. 2468*

**AN ACT** creating an individual income tax credit for qualified adoption expenses paid or incurred in connection with certain adoptions and including retroactive applicability provisions.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. **NEW SECTION. 422.12A Adoption tax credit.**

1. For purposes of this section, unless the context otherwise requires:

a. "Adoption" means the permanent placement in this state of a child by the department of human services, by a licensed agency under chapter 238, by an agency that meets the provisions of the interstate compact in section 232.158, or by a person making an independent placement according to the provisions of chapter 600.

b. "Child" means an individual who is under the age of eighteen years.

c. "Qualified adoption expenses" means unreimbursed expenses paid or incurred in connection with the adoption of a child, including medical and hospital expenses of the biological mother which are incident to the child's birth, welfare agency fees, legal fees, and all other fees and costs which relate to the adoption of a child. "Qualified adoption expenses" does not include expenses paid or incurred in violation of state or federal law.

2. The taxes imposed under this division, less the credits allowed under section 422.12, shall be reduced by an adoption tax credit equal to the amount of qualified adoption expenses paid or incurred by the taxpayer during the tax year in connection with the adoption of a child by the taxpayer, not to exceed two thousand five hundred dollars per adoption.

3. Any credit in excess of the tax liability is refundable. In lieu of claiming a refund, the taxpayer may elect to have the overpayment shown on the taxpayer's final, completed return credited to the tax liability for the following tax year.

4. The department of revenue and the department of human services shall each adopt rules to jointly administer this section.

Sec. 2. Section 422.9, subsection 2, paragraph c, Code 2014, is amended to read as follows:

c. Add the amount by which expenses paid or incurred in connection with the adoption of a child by the taxpayer exceed three percent of the net income of the taxpayer, or of the taxpayer and spouse in the case of a joint return. The expenses may include medical and hospital expenses of the biological mother which are incident to the child's birth and are paid by the taxpayer, welfare agency fees, legal fees, and all other fees and costs relating to the adoption of a child if the child is placed by a child-placing agency licensed under chapter 238 or by a person making an independent placement according to the provisions of chapter 600. If the taxpayer claims an adoption tax credit under section 422.12A, the taxpayer shall recompute for purposes of this subsection the amount of the deduction by excluding the amount of qualified adoption expenses, as defined in section 422.12A, used in computing the adoption tax credit.

Sec. 3. **RETROACTIVE APPLICABILITY.** This Act applies retroactively to January 1, 2014, for tax years beginning on or after that date.

Approved May 23, 2014