Legislative Services Agency
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Fiscal Services Division

Fiscal Topic

Tax Credit: Adoption Tax Credit

November 4, 2026

Purpose and History

The Adoption Tax Credit is available to individual income taxpayers who pay or incur qualified adoption expenses associated with the adoption of a child under 18 years of age. Adoption expenses paid or incurred can be claimed in the tax year the adoption was finalized, up to the credit cap, regardless of the year in which the expenses were paid. If expenses are paid or incurred after the year the adoption is finalized, and the credit cap was not previously met, those expenses can be claimed in the year they were paid or incurred up to the credit cap.

For tax years 2014 through 2016, the maximum amount of the tax credit was $2,500 per adoption. Beginning on or after January 1, 2017, the amount of the tax credit was increased to $5,000 per adoption.

An adoption means the permanent placement in Iowa of a child by a qualifying agency. Qualified adoption expenses are defined as unreimbursed expenses paid or incurred in connection with the adoption of a child, including medical and hospital expenses of the biological mother that are incident to the child's birth, welfare agency fees, legal fees, and all other fees and costs related to the adoption of the child.

Tax Credit Background

- Enabling Legislation: 2014 Iowa Acts, chapter 1113 (Income Tax Credit for Adoption Expenses Act)
- Iowa Code Citation: Section 422.12A — Individual Income Tax
- Administrative State Agencies: Iowa Department of Revenue (IDR) and Iowa Department of Health and Human Services
- Sunset Date: None
- Transferable: No
- Refundable: Yes
- Carryforward: Instead of a refund, the taxpayer may choose to carry forward unused credits to the following tax year.
- Legislative Tax Expenditure Committee Review Year: None

Legislative History

The Adoption Tax Credit became effective for tax years beginning on or after January 1, 2014. The tax credit was for 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 $2,500 per adoption.

During the 2016 Legislative Session, the amount of the tax credit was increased to $5,000 per adoption for tax years beginning on or after January 1, 2017.

During the 2019 Legislative Session, retroactive to January 1, 2019, all adoption expenses paid or incurred can be claimed in the tax year the adoption was finalized, up to the credit cap, regardless of the year in which the expenses were paid. In addition, any expenses paid or incurred after the year of the adoption being finalized that, when added to previous expenses, are under the credit cap, can be claimed in the year paid or incurred.

Tax Credit Review, Usage, and Future Liability

The IDR reports on the annual credit usage for the Adoption Tax Credit in its periodic Contingent Liabilities Report. Based on Table 8 of the report, **Figure 1** provides credit redemption history and projections for the Adoption Tax Credit on a fiscal year basis. The blue bars of **Figure 2** indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions.

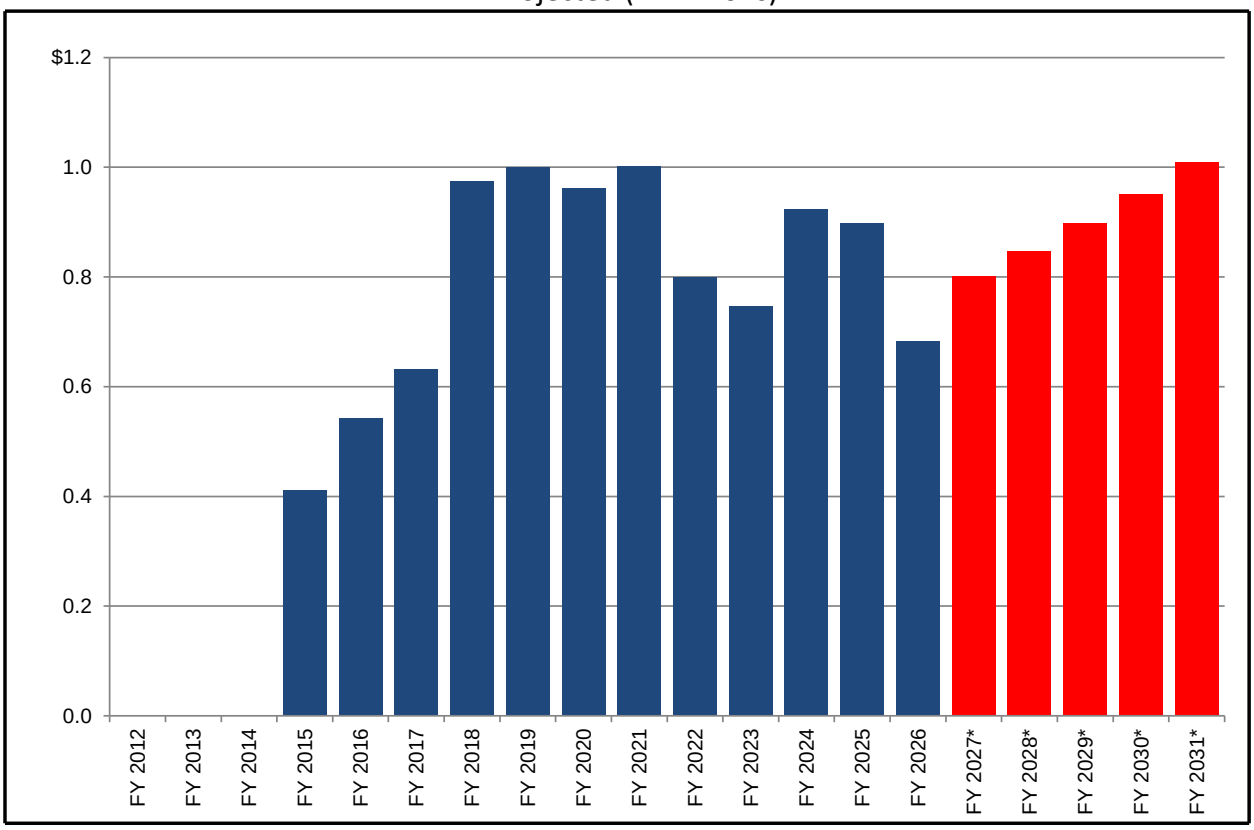
Figure 1 — Adoption Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2012	$ 0	FY 2022	$ 799,887
FY 2013	0	FY 2023	747,447
FY 2014	0	FY 2024	924,021
FY 2015	410,937	FY 2025	897,467
FY 2016	541,566	FY 2026	681,851
FY 2017	631,979	FY 2027*	801,204
FY 2018	974,932	FY 2028*	847,039
FY 2019	999,837	FY 2029*	897,050
FY 2020	962,184	FY 2030*	951,593
FY 2021	1,001,691	FY 2031*	1,009,733

Figure 2 — Adoption Tax Credit History

*Projected (in Millions)



Additional Information

For additional information, visit:

- Iowa Department of Revenue Contingent Liabilities Report
- Iowa Department of Revenue Tax Credit Users' Manual
- Iowa Department of Revenue Tax Credit Fact Sheet
- Legislative Services Agency Individual Income Tax Guide

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