



Tax Credit: Iowa Adoption Tax Credit

For tax years beginning on or after January 1, 2014, the Iowa Adoption Tax Credit is available to individual taxpayers who pay or incur qualified adoption expenses through Iowa Code section [422.12A](#). There is no earned income limit for individuals seeking to claim the credit. The Adoption Tax Credit is equal to the amount of qualified adoption expenses incurred by the taxpayer during the year of adoption, and is limited to the first \$2,500 of unreimbursed expenses related to the adoption.

The Adoption Tax Credit is refundable and has a one-year carryforward. To apply the credit to adoption-related expenses, the adoption must have taken place in Iowa. The adoption must be completed by one of the following:

- Iowa Department of Human Services (DHS)
- A child-placing agency licensed under Iowa Code chapter [238](#)
- An agency complying with the Interstate Compact on Placement of Children in Iowa Code section [232.158](#)
- A person petitioning for an independent placement under Iowa Code chapter [600](#).

For taxpayers claiming adoption expenses as an itemized deduction, adoption expenses must exceed 3.0 % of the taxpayer's net income and cannot be used to calculate the adoption tax credit. Qualified adoption expenses include medical and hospital expenses of the biological mother resulting from the child's birth, welfare agency fees, legal fees, and all other fees and costs related to the adoption. Taxpayers who claim itemized deductions are required to reduce their deduction by the amount of expenses used to claim the Adoption Tax Credit.

Forecasts of expected tax credit claims are based on historical claims data and expected awards data, and indicate the Adoption Tax Credit claims are expected to increase in subsequent years. This forecast is based on claims data that has been collected from the IA 148 Tax Credits Schedule.

The information collected from the IA 148 Schedule is used to estimate the timing of when awards are likely to be claimed.

Adoption Tax Credit Claims	
History	
FY 2014	\$ -
FY 2015	\$ 366,351
Forecast	
FY 2016	\$ 843,000
FY 2017	\$ 843,000
FY 2018	\$ 843,000
FY 2019	\$ 843,000
FY 2020	\$ 843,000

More Information

Department of Revenue Contingent Liabilities Report: [Tax Credits Contingent Liabilities Report](#)

Legislative Services Agency Income Tax Guide: [LSA Income Tax Guide](#)

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