

**REPORT OF THE VIRGINIA  
DEPARTMENT OF TAXATION**

**Study of Tax Incentives and  
Adoption Subsidies Offered by  
Other States to Support  
Adoption**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



**SENATE DOCUMENT NO. 6**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
2008**





# COMMONWEALTH of VIRGINIA

*Department of Taxation*

January 4, 2008

TO: The Honorable Timothy M. Kaine, Governor of Virginia and Members of the General Assembly of Virginia

The Department of Taxation is pleased to transmit its report regarding the study of tax incentives and adoption subsidies offered by other states to support adoption. This study was required by Senate Joint Resolution No. 377 of the 2007 Session of the Virginia General Assembly. Please let me know if you have any further questions.

Sincerely,



Janie E. Bowen  
Tax Commissioner

JEB/ams



## Preface

### Authority

Senate Joint Resolution No. 377 of the 2007 Session of the Virginia General Assembly directed the Virginia Department of Taxation to study the tax incentives and adoption subsidies offered by other states in order to support adoption. The Resolution required the Department to make its report no later than the first day of the 2008 Regular Session of the General Assembly.

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## Executive Summary

Senate Joint Resolution No. 377 of the 2007 Session of the Virginia General Assembly directed the Virginia Department of Taxation to study the tax incentives and adoption subsidies offered by other states in order to support adoption.

Out of the fifty states, twenty-three offer some form of tax incentive to taxpayers who choose to adopt. Of these, thirteen offer a tax credit, nine offer a subtraction or a deduction, and one, Utah, offers both a credit and a deduction. Because Kansas offers two credits and North Dakota offers three subtractions, there are a total of twenty-seven tax incentives offered by the twenty-three states. Some of the tax incentives offered by seven states (Kansas, Maryland, Missouri, New Mexico, North Dakota, South Carolina, and Utah) are tied in some way to the adoption of a special needs child.

All fifty states offer both state and federal (Title IV-E) adoption subsidies for those who adopt special needs children. The amount of these subsidies varies depending on the age of the child and the state in which the adoption takes place. While Virginia offers a lower subsidy amount than a number of other states, it does offer the maximum amount allowable under federal law, which is one hundred percent of its foster care maintenance payment.

There are several programs that offer financial assistance for education to children who have been in the foster care system. While many of these benefits are limited to children who aged out of the system, some may also be applicable to children who were in the foster care system but then adopted at older ages. In addition, several states, including Virginia offer benefits specifically to children who have been adopted from the foster care system.

The various financial incentives that exist for those who adopt are primarily directed at removing any disincentives for adoption. This is particularly true for those who choose to adopt children with special needs. While Virginia does not have any tax incentives available for those who adopt, the Commonwealth does provide adoption subsidies that are 100% of the foster care rate. Thus, any disincentive to adopt a child from the foster care system has been removed.

Adoptive parents in Virginia benefit from the federal tax credit for their adoption expenses, and may also receive adoption subsidies and other services from the Commonwealth. Their adopted children may even receive benefits for higher education. While the creation of a tax deduction or credit would reward these adoptive parents, it might not encourage any additional individuals to adopt.

A more effective use of Virginia's resources may be to increase funding for adoption subsidies and services to children adopted out of the foster care system. Governor Kaine has recently proposed such action in his budget proposal for the 2008-2010 biennium. His proposals include an increase in state and federal matching funds for the basic care foster rate and an increase for adoption subsidy funding. The budget

proposals would also provide state and federal matching funds to improve recruitment and retention of foster and adoptive parents.





# Financial Incentives for Adoption

## Introduction

States offer a variety of financial incentives to promote the adoption of children. Many benefits, including tax incentives and adoption subsidies, are offered specifically to those who adopt children with special needs. These incentives are often offered as part of a broader system of assistance to find permanent families for children in foster care. In Virginia, this issue has recently been addressed by First Lady Anne Holton, who has launched a foster care initiative called “For Keeps.” The “For Keeps” initiative was created to identify and develop ways to find and strengthen permanent families for older children in foster care, or who might be at risk of coming into foster care.

As part of her work with the “For Keeps” initiative, First Lady Holton worked with the Anne E. Casey Foundation to develop recommendations regarding Virginia’s approach to foster care and at-risk children’s services. As a result of these recommendations, Governor Kaine has included several proposals in his budget for the 2008-2010 biennium that would benefit foster and adoptive parents. In particular, these proposals would increase the basic foster care rate, as well as provide additional funding for adoption subsidies. Funds would also be provided to improve recruitment and retention of foster and adoptive parents.

This study will describe in detail the various financial benefits currently offered by the states. While adoption subsidies are discussed, this study primarily focuses on the state tax incentives. The broad variety of subsidies among the states made it impossible for this study to provide a comprehensive explanation. Instead, the basic subsidies and the reimbursements for non-recurring expenses are described in detail; and the remaining types of assistance are briefly described. In addition, a brief overview of a general program offering education benefits is provided; and a description of the education programs offered by several states is given.

Because several of the state tax incentives are related to the federal adoption tax credit, this study begins with a description of that incentive.

## Federal Adoption Tax Credit

The federal government allows an individual income tax credit for the amount of qualified adoption expenses paid or incurred by the taxpayer. The amount of this credit is limited to \$11,390 for taxable year 2007, but it is adjusted for inflation every year. The credit may be carried over for up to five years.

“Qualified adoption expenses” are defined as reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are directly related to, and the principal purpose of which is for, the legal adoption of an eligible child. These expenses must be unreimbursed, and cannot be incurred to adopt the child of a spouse. An

“eligible child” is an individual who is under 18 years old, or one who is physically or mentally incapable of caring for himself or herself.

This credit begins to phase out at certain income levels. For taxable year 2007, this credit begins to phase out for taxpayers with federal modified adjusted gross incomes in excess of \$170,820; and it is completely phased out for taxpayers with modified adjusted gross incomes of \$210,820 and greater. These amounts are also adjusted yearly. “Modified adjusted gross income” is federal adjusted gross income increased by certain income that was excluded.

For taxpayers who adopt special needs children, the credit is not limited to the amount of qualified adoption expenses. Instead, those taxpayers may claim the full allowable amount of the credit regardless of the amount expended during the adoption process. A “child with special needs” must be a citizen or resident of the United States at the time that the adoption process begins. In addition, a state must determine that the child cannot or should not be returned to the home of his or her parents. Finally, the state must determine that the child has a specific factor or condition, such as his or her ethnic background, age, membership in a minority or sibling group, a medical condition, or physical, mental, or emotional handicap, that may make it impossible to place the child with adoptive parents without the provision of adoption assistance.

### State Tax Incentives

Currently, twenty-three states offer some form of tax incentive to taxpayers who choose to adopt. Out of these, thirteen offer a tax credit, nine offer a subtraction or a deduction, and one, Utah, offers both a credit and a subtraction. Because Kansas offers two credits and North Dakota offers three subtractions, there are a total of twenty-seven tax incentives offered by the twenty-three states. A comprehensive list of the state tax incentives is included in Appendix B.

Of the fourteen states that offer an income tax credit, five offer a credit in a fixed dollar amount ranging from \$1,000 to \$2,000. Five states offer a capped credit that is based on expenses related to the adoption. The limits for these capped credits range from \$1,200 to \$10,000. In addition, three states offer a credit that is a percentage of the federal credit, with the percentage amount ranging from 20% to 50%. Finally, one state, Kansas, offers both a credit for a fixed amount of \$1,500 and a credit that ranges from 25% to 75% of the federal credit.

The credits offered by nine states (California, Kansas, Mississippi, Missouri, Montana, North Carolina, Ohio, Oregon, and West Virginia) may be carried over if not fully used in the initial taxable year. The length of the carryover period ranges from two years to an unlimited period of time. In addition, the credits offered by three states (Michigan, New Mexico, and Utah) are refundable. Finally, the credit offered by Missouri is also transferable.

Of the ten total states that offer a subtraction or deduction to those who adopt, eight tie the subtraction or deduction to the expenses related to the adoption. For five of the states, the maximum amount of the subtraction or deduction ranges from \$3,000 to \$20,000. Three states do not have a dollar limit for the subtraction or deduction; but one of these, Iowa, limits its deduction to expenses that exceed 3% of the taxpayer's net income.

Of the remaining states that offer a subtraction or deduction, South Carolina offers a subtraction in the amount of \$2,000 to taxpayers who adopt special needs children who are dependent upon the taxpayers. In addition, North Dakota offers three separate subtractions. These subtractions range from \$750 to \$1,750 and are dependent upon the costs of the adoption and whether or not the adopted child has a disability of some kind. The \$1,750 subtraction offered by North Dakota may be carried over for up to 5 years.

Some of the tax incentives offered by Kansas, Maryland, Missouri, New Mexico, North Dakota, South Carolina, and Utah are tied in some way to the adoption of special needs children. While each state defines "special needs child" differently, almost all of them specify criteria such as the age of the child, the fact that a child belongs to an ethnic minority or sibling group, the medical condition of the child, or the physical, emotional, or mental handicap of the child. The only exception is North Dakota, which, for two of its subtractions, specifically requires the taxpayer to adopt a child under the age of 21 who is mentally disabled or is blind or disabled under Title XVI of the Social Security Act.

### Adoption Subsidies

The Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) created federal Title IV-E Adoption Assistance. Under this program, the federal government provides funding to states so that they can offer adoption subsidies to those who adopt special needs children from the foster care system. While states are allowed to create their own definition of "special needs child," the federal law requires that the states must determine that the child cannot or should not be returned to the home of his parents. In addition, under 42 U.S.C.S. § 673(c)(2), the state must also determine

(A) that there exists with respect to the child a specific factor or condition (such as his ethnic background, age, or membership in a minority or sibling group, or the presence of factors such as medical conditions or physical, mental, or emotional handicaps) because of which it is reasonable to conclude that such child cannot be placed with adoptive parents without providing adoption assistance . . . or medical assistance . . . and (B) that, except where it would be against the best interests of the child because of such factors as the existence of significant emotional ties with prospective adoptive parents while in the care of such parents as a foster child, a reasonable, but unsuccessful, effort has been made to place the child with

appropriate adoptive parents without providing adoption assistance . . . or medical assistance . . . .

When it is determined that a child meets the criteria for receiving a subsidy, the adoptive parents must negotiate an adoption assistance agreement with the applicable state agency, as well as any other relevant agencies. This agreement specifies the amount of payments as well as any other services that the child may receive. In determining the amount of the payments, the circumstances of the adoptive parents and the needs of the child being adopted may be considered. In addition, the amount may be readjusted periodically with the concurrence of the adopting parents. The amount may not, however, exceed the foster care maintenance payment that would have been made if the child were in a foster family home.

Please note that, like the other forty-nine states, Virginia also provides subsidies for children out of funding that comes entirely from the state when the children do not meet Title IV-E eligibility requirements at the time of adoption.

According to an April 2007 survey by the North American Council on Adoptable Children (“NACAC”) and information received from the Virginia Department of Social Services, only Colorado, Florida, Idaho, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, Ohio, Oklahoma, and Wisconsin offer a lower basic subsidy rate than Virginia for two-year-olds and nine-year-olds. Those eleven states, with the addition of Alabama, Arkansas, Georgia, Illinois, New Mexico, Rhode Island, South Carolina, Tennessee, Texas, and Wyoming, offer a lower basic rate than Virginia for sixteen-year olds. Please note that two states, Indiana and Pennsylvania, did not have specific rates that could be compared. Please see Appendix C for a full listing of the basic subsidy rates.

While some states offer a higher basic subsidy amount than Virginia, it is important to note that the basic adoption subsidy rate in Virginia is 100% of the foster care rate that is offered by the state. Thus, there is no disincentive to adopt. Some of the other states that offer larger basic subsidies have not reached the maximum rate allowed by federal law. This would occur when the foster care rate of another state is higher than that of Virginia, but the other state does not offer a basic adoption subsidy of 100% of its foster care rate. For example, in a survey of the basic subsidy rates offered to 8-year-old children completed for the NACAC in 2002<sup>1</sup>, Virginia was one of thirty-two states and the District of Columbia who provided at least 100% of the basic foster care rate. Ten out of the remaining eighteen states offered a higher basic subsidy amount than Virginia but provided a lower percentage amount of the foster care rate, thus creating a disincentive to adopt.

In addition to the Title IV-E or state subsidy, adoptive parents may receive reimbursement for non-recurring adoption expenses. Under the federal law, states may decide how much they will reimburse, up to \$2,000, and the federal government will provide the states with half of the payment. Under 42 U.S.C.A § 673(a)(6)(A),

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<sup>1</sup> Jeanette Wiedemeier Bower, M.P.A. & Rita Laws, Ph.D., Support for Families of Children with Special Needs: A Policy Analysis of Adoption Subsidy Programs in the United States (July 2002).

“nonrecurring adoption expenses” are defined as “reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are directly related to the legal adoption of a child with special needs and which are not incurred in violation of State or Federal law.” Typical expenses that are paid or reimbursed to the family include the home study fees, replacement of the birth certificate, and travel to and from the child, including mileage, lodging and meals.

According to the 2007 NACAC survey, the District of Columbia and twenty-seven states, including Virginia, offer the maximum amount of \$2,000 for the reimbursement of non-recurring expenses. The remaining twenty-three states offer lower amounts, which range from \$250 to \$1,500. Please see Appendix C for a full listing of the non-recurring expenses reimbursement rates.

It is important to note that both state and Title IV-E subsidies and the reimbursement of non-recurring expenses do not represent the total assistance offered. For example, other forms of assistance may be offered to those adopting special needs children. In Virginia, the Department of Social Services may pay for services such as physical or speech therapy, psychological or psychiatric treatment, or special services, equipment, treatment and training for physical and mental handicaps. Thus, simply comparing the subsidy amounts does not present a complete picture of the adoption assistance offered by a state.

### Education Benefits for Children Who Were Adopted

There are several programs that offer financial assistance for education to children who have been in the foster care system. While many of these benefits are limited to children who aged out of the system, some may also be applicable to children who were in the foster care system but then adopted at older ages.

One program that is available in all of the states is the Education and Training Voucher Program. Under this program, which was created in 2001, the federal government provides funding to the states that is primarily used to offer financial support to foster youth and former foster youth to enable them to attend colleges, universities and vocational training institutions. These benefits may also be used to provide assistance to children who were adopted from the foster care system after the age of 16. Students may receive up to \$5,000 a year for college or vocational training education; and this money may be used for tuition, books, or qualified living expenses. Students receiving funds prior to their 21<sup>st</sup> birthday may continue to receive support until age 23.

In addition to this program, the District of Columbia offers a \$10,000 scholarship for children who were adopted from the Child and Family Services foster care system after October 1, 2001. Furthermore, approximately ten states, including Virginia, provide a full tuition waiver for specified schools, with a few adding financial assistance for fees or other expenses, to children who have been adopted. In all of the states, the child must have been in foster care prior to the adoption. There may be additional requirements. For example, Virginia requires that the adoption was a special needs adoption. Please

see Appendix D for a complete listing of the benefits offered by these states and the District of Columbia.

Finally, there are some states with tuition waiver programs that may indirectly benefit adopted children. For example, Oklahoma offers a tuition waiver to specified state colleges, universities, or certain postsecondary vocational-technical programs. This waiver is available to children who were in the custody of the Department of Human Services for at least nine of the twenty-four months between their 16<sup>th</sup> and 18<sup>th</sup> birthdays. Because of the way that the statute is worded, children who were adopted out of the foster care system could qualify if they spent the requisite amount of time in the custody of the system. Therefore, there may be additional states with programs that may benefit children who were adopted, even though they are not specifically designed to do so.

### Conclusion

While a large number of financial incentives are available both to those who adopt and those who have been adopted, it is important to note that these benefits primarily exist to remove the disincentives for adoption. The financial burdens of adoption can be very large, but much of this financial burden is relieved by the federal tax credit for adoption expenses. Some states have chosen to supplement the federal tax credit in an attempt to further relieve that burden through tax credits, subtractions, and deductions.

While Virginia does not offer any tax incentives to those who adopt, the Commonwealth does have one provision that may be a disincentive for adoption. Foster parents are allowed a \$1,000 deduction on their Virginia return for each foster child in their care (see *Va. Code* § 58.1-322 D. 4.) This deduction would be lost if the child were to be adopted. In order to remove this potential disincentive, the existing deduction could be eliminated; or it could be expanded to include children adopted from Virginia's foster care system.

The financial burden of adoption can be particularly large for those adopting children with special needs. This is why states offer adoption subsidies, which provide monthly payments to the adopting family after the adoption. States may offer subsidies in any amount up to 100% of their foster care rates. The Commonwealth, along with approximately 31 other states, has chosen to provide adoption subsidies that reach this maximum amount.

The subsidy amount can be a crucial factor in determining whether a child is adopted or must instead remain in foster care. This is because a family considering adoption may not be financially able or willing to support a child without the payment offered by the foster care system. By negotiating an adoption subsidy that can be as much as 100% of the foster care rate, a financial disincentive for adoption is removed. This allows the adoptive parents, the child, and the state's foster care system to benefit.

Because children with special needs may also require ongoing medical and mental healthcare, as well as other services, Virginia and other states provide ongoing support. This support may come through the provision of various types of medical treatment and special equipment. Other services or forms of assistance may also be offered. For example, Virginia offers services including physical or speech therapy, psychological or psychiatric treatment, or special services, equipment, treatment and training for physical and mental handicaps.

In addition to the financial assistance that is available to facilitate adoptions, several states have recognized that children who have been in the foster care system may face special challenges in obtaining higher education. Because of this, funding is sometimes available to provide financial assistance for children who have been adopted from or aged out of the foster care system. Virginia is one of the states that offers such assistance. The program offered by the Commonwealth provides tuition and fees at any Virginia community college for high school graduates or general education development (GED) completers who were considered a special needs adoption at the time of graduation or completion of the GED.

Adoptive parents in Virginia are currently benefiting from the federal tax credit for their adoption expenses, and may also receive adoption subsidies tailored to the needs of the child and the parents as well as the potential impact of an adoption on the foster care system. It is very difficult to tailor tax preferences to the specific needs of an individual in order to provide a meaningful incentive for that individual to change his or her behavior. A tax deduction or credit would reward all adoptive parents while not necessarily encouraging any additional individuals to adopt.

A more effective use of Virginia's resources may be to increase funding for adoption subsidies and services to children adopted out of the foster care system. Governor Kaine has recently proposed such action in his budget proposal for the 2008-2010 biennium. His proposals include an increase in state and federal matching funds for the basic care foster rate and an increase for adoption subsidy funding. The budget proposals would also provide state and federal matching funds to improve recruitment and retention of foster and adoptive parents.





Appendix A  
Senate Joint Resolution No. 377 (2007)

**SENATE JOINT RESOLUTION NO. 377**

*Requesting the Department of Taxation to study current financial incentives in other states to support adoption. Report.*

Agreed to by the Senate, February 6, 2007

Agreed to by the House of Delegates, February 16, 2007

WHEREAS, the Federal Tax Credit for adoption (26 U.S.C. § 23) has been a major financial incentive for prospective parents who are considering adoption; and

WHEREAS, Virginia, in contrast to over a dozen other states, does not offer any state tax credits to support adoption; and

WHEREAS, multiple studies in Virginia, including those conducted pursuant to HJR 264 (1998), SJR 366 (1999), and SJR 331 (2005), have found that the financial expense of adoption and child-rearing is a barrier, especially to adopt children with special needs; and

WHEREAS, prior studies further project that the need to find homes to adopt children looms ever larger; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Department of Taxation be requested to study current financial incentives in other states to support adoption. The Department shall compare tax credits in other states that mirror the federal tax credit to support adoption.

In conducting its study, the Department of Taxation shall examine tax credits, deductions, exemptions, and subsidy programs offered in other states to encourage adoption, including potential credits to pay for the college tuition of adopted children.

Technical assistance shall be provided to the Department of Taxation by the Department of Social Services. All agencies of the Commonwealth shall provide assistance to the Department of Taxation for this study, upon request.

The Department of Taxation shall complete its meetings by November 30, 2007, and shall submit to the Governor and the General Assembly an executive summary and a report of its findings and recommendations for publication as a House or Senate document. The executive summary and report shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports no later than the first day of the 2008 Regular Session of the General Assembly and shall be posted on the General Assembly's website.



Appendix B  
State Tax Incentives for Adoption

State	Code Section	Type	Maximum Amount	Description
Arizona	A.R.S. § 43-1022(20)	Subtraction	3,000	<ul style="list-style-type: none"> <li>• Amount of unreimbursed medical and hospital costs, adoption counseling, legal and agency fees and other nonrecurring costs</li> <li>• May be taken for costs incurred in prior years, but may be taken only in the year during which the final adoption order is granted</li> </ul>
Arkansas	A.C.A. § 26-51-445	Credit	N/A	<ul style="list-style-type: none"> <li>• Credit is equal to 20% of the allowable federal credit</li> </ul>
California	Cal Rev & Tax Code § 17052.25	Credit	2,500	<ul style="list-style-type: none"> <li>• Credit is equal to 50% of the costs paid or incurred by a taxpayer to adopt a child who is a citizen or legal resident of the U.S. and who was in the custody of a public agency of California or a California political subdivision</li> <li>• Credit may be carried over until fully used</li> </ul>
Idaho	Idaho Code § 63-3022I	Deduction	3,000	<ul style="list-style-type: none"> <li>• Legal fees and costs, medical expenses, and costs related to the adoption</li> </ul>
Iowa	Iowa Code § 422.9(2)(c)	Deduction	N/A	<ul style="list-style-type: none"> <li>• Qualifying expenses incurred in connection with the adoption</li> <li>• Limited to expenses that exceed 3% of the taxpayer's net income</li> </ul>
Kansas	K.S.A. § 79-32,202(a)	Credit	N/A	<ul style="list-style-type: none"> <li>• Credit ranges from 25% to 75% of the federal credit</li> <li>• Amount of credit depends on whether the child was a resident of Kansas or a child with special needs</li> <li>• May be carried over until fully used</li> </ul>

<b>State</b>	<b>Code Section</b>	<b>Type</b>	<b>Maximum Amount</b>	<b>Description</b>
Kansas	K.S.A. § 79-32,202(b)	Credit	1,500	<ul style="list-style-type: none"> <li>• Available to residents adopting a child with special needs or a child in the custody of the Kansas Secretary of Social &amp; Rehabilitation Services</li> <li>• May be used even if the taxpayer has been reimbursed all or part of the qualifying adoption expenses</li> <li>• May be carried over until fully used</li> </ul>
Maryland	Md. TAX-GENERAL Code Ann. § 10-208(b)	Subtraction	6,000	<ul style="list-style-type: none"> <li>• Reasonable and necessary adoption fees, court costs, attorney fees, and other expenses</li> <li>• Cannot exceed \$5,000 (\$6,000 for a special needs child) for a child who is a Maryland resident at the time of the adoption</li> <li>• Cannot exceed \$2,000 (\$3,000 for a special needs child) for a child who is not a Maryland resident at the time of the adoption</li> </ul>
Mass.	ALM GL ch. 62 § 3(B)(b)(5)	Subtraction	N/A	<ul style="list-style-type: none"> <li>• Fees paid within the taxable year to any agency licensed to place children for adoption</li> </ul>
Michigan	MCLS § 206.268	Credit	1,200	<ul style="list-style-type: none"> <li>• Must have claimed federal credit for the same year</li> <li>• Maximum amount is equal to the lesser of the amount by which qualified expenses exceed the federal credit, or \$1,200 per child</li> <li>• Credit is refundable</li> </ul>
Mississippi	Miss. Code Ann. § 27-7-22.32	Credit	2,500	<ul style="list-style-type: none"> <li>• Amount of adoption expenses paid or incurred during the calendar year</li> <li>• Credit is claimed in year adoption becomes final</li> <li>• Cannot be claimed for a child who is also claimed as a dependent on the return</li> <li>• May be carried over for 3 years</li> </ul>

State	Code Section	Type	Maximum Amount	Description
Missouri	§ 135.327 R.S.Mo.	Credit	10,000	<ul style="list-style-type: none"> <li>• Individuals adopting a special needs child may claim this credit for nonrecurring adoption expenses</li> <li>• Business entities providing funds to an employee to legally adopt a special needs child may claim a credit for the nonrecurring adoption expenses</li> <li>• Up to 50% of the credit may be claimed upon placement of the child and the remaining 50% claimed after the adoption is final</li> <li>• May be carried over for 4 years</li> <li>• Credits are transferable</li> </ul>
Montana	Passed during 2007 legislative session, section not assigned	Credit	1,000	<ul style="list-style-type: none"> <li>• Available to taxpayers who are eligible for the federal credit</li> <li>• May be taken in the year that the adoption is final</li> <li>• May be carried over for 5 years</li> </ul>
New Mexico	Passed during 2007 legislative session, section not assigned	Credit	1,000	<ul style="list-style-type: none"> <li>• Taxpayer must adopt a special needs child</li> <li>• Credit can be claimed for each year the child may be claimed as a dependent</li> <li>• Credit is refundable</li> </ul>
North Carolina	N.C. Gen. Stat. § 105-151.32	Credit	N/A	<ul style="list-style-type: none"> <li>• Credit is equal to 50% of the allowable federal credit</li> <li>• May be carried over for 5 years</li> </ul>
North Dakota	N.D. Cent. Code, § 57-38-01.2(d)(3)	Subtraction	750	<ul style="list-style-type: none"> <li>• Available to taxpayers who have adopted a child under the age of 21 who is mentally disabled, or is blind or disabled under Title XVI of the Social Security Act</li> <li>• May be claimed as long as child qualifies as a dependent on the taxpayer's federal return</li> </ul>

State	Code Section	Type	Maximum Amount	Description
North Dakota	N.D. Cent. Code, § 57-38-01.2(d)(4)	Subtraction	1,000	<ul style="list-style-type: none"> <li>• Taxpayers may subtract the costs of adopting a child under the age of 21 who is mentally disabled, or is blind or disabled under Title XVI of the Social Security Act</li> <li>• Child must be able to be claimed as a dependent by the taxpayer</li> </ul>
North Dakota	N.D. Cent. Code, § 57-38-01.2(d)(5)	Subtraction	1,750	<ul style="list-style-type: none"> <li>• Available to taxpayers who have adopted a child under the age of 21 who is not the child of the taxpayer's spouse</li> <li>• Must be claimed the year the adoption becomes final</li> <li>• May be carried over for 5 years</li> </ul>
Ohio	ORC Ann. 5747.37	Credit	1,500	<ul style="list-style-type: none"> <li>• Available to taxpayers who have adopted a minor child during the taxable year</li> <li>• May be carried over for 2 years</li> </ul>
Oklahoma	68 Okl. St. § 2358(E)(14)	Deduction	20,000	<ul style="list-style-type: none"> <li>• Nonrecurring adoption expenses paid in connection with the adoption or a minor or a proposed adoption of a minor which did not result in a decreed adoption</li> <li>• Expenses must be deducted in the year incurred</li> </ul>
Oregon	ORS § 315.274	Credit	1,500	<ul style="list-style-type: none"> <li>• Credit is available for qualified adoption expenses paid during the tax year</li> <li>• Maximum amount is equal to the lesser of the amount by which qualified expenses exceed the federal credit, the amount of the federal credit, or \$1,500</li> <li>• May be carried over for 4 years</li> </ul>
Rhode Island	R.I. Gen. Laws § 44-30-2.6(e)-(f)	Credit	N/A	<ul style="list-style-type: none"> <li>• Credit is 25% of the federal credit</li> <li>• Child must have been under the care, custody, or supervision of the RI DCYF prior to the adoption</li> </ul>

<b>State</b>	<b>Code Section</b>	<b>Type</b>	<b>Maximum Amount</b>	<b>Description</b>
South Carolina	S.C. Code Ann. § 12-6-1140(7)	Deduction	2,000	<ul style="list-style-type: none"> <li>• Taxpayer may claim deduction as long as long as the adopted child is dependent upon and receiving chief support from the taxpayer, is under 21, and is enrolled in an accredited school or college or is incapable of self-support because of mental or physical defects</li> <li>• Must adopt a special needs child</li> </ul>
Utah	Utah Code Ann. § 59-10-114(2)(c)	Subtraction	N/A	<ul style="list-style-type: none"> <li>• The amount of qualifying adoption expenses</li> <li>• Can be taken in the taxable year in which the expenses are paid or incurred, the taxable year in which a court issues an order granting the adoption; or any year in which the taxpayer claims the federal credit</li> </ul>
Utah	Utah Code Ann. § 59-10-1104	Credit	1,000	<ul style="list-style-type: none"> <li>• Must adopt a child with special needs</li> <li>• May only be claimed in the year the court issues the order granting the adoption</li> <li>• Credit is refundable</li> </ul>
West Virginia	W. Va. Code § 11-21-10a	Credit	2,000	<ul style="list-style-type: none"> <li>• Taken in the year of the adoption of a non-family child whose age at adoption is under 18 years</li> <li>• Credit may be taken over a period of 3 years</li> <li>• "Non-family adoptions" are adoptions of children who are not related to the adopter by blood or marriage</li> </ul>
Wisconsin	Wis. Stat. § 71.05(6)(b)(22)	Subtraction	5,000	<ul style="list-style-type: none"> <li>• Adoption fees, court costs, and legal fees</li> <li>• Must use costs from the year the final order of adoption is entered and the two prior taxable years</li> </ul>





Appendix C  
State Basic Adoption Subsidy and Reimbursement Amounts<sup>2</sup>

State	<u>Maximum Basic Rates</u>			Maximum Amount Non-Recurring Expenses
	Age 2	Age 9	Age 16	
Alabama	410	434	446	1,000
Alaska <sup>3</sup>	580-834	580-834	580-834	2,000
Arizona	738	738	814	2,000
Arkansas	400	425	475	1,500
California	425	494	597	400
Colorado	293	293	352	800
Connecticut	726	739	807	750
Delaware	397	397	511	2,000
District of Columbia	837	837	907	2,000
Florida	295	304	364	1,000
Georgia	388	411	433	2,000
Hawaii	529	529	529	2,000
Idaho	274	300	431	2,000
Illinois	369	410	445	1,500

<sup>2</sup> This information comes from a survey completed in April of 2007 by the North American Council on Adoptable Children (“NACAC”), which is located at [www.nacac.org/AAPchart.html](http://www.nacac.org/AAPchart.html). In order to make the adoption subsidies more easily comparable, the survey looked at the basic rates offered for children ages 2, 9, and 16.

<sup>3</sup> Rates differ by region

State	<u>Maximum Basic Rates</u>			Maximum Amount Non-Recurring Expenses
	Age 2	Age 9	Age 16	
Indiana	Varies by county			1,500
Iowa	428	452	505	500
Kansas	500	500	500	2,000
Kentucky	600	600	660	1,000
Louisiana	265	292	319	1,000
Maine	513	539	558	2,000
Maryland	635	635	635	2,000
Massachusetts	513	539	558	400
Michigan	444	444	547	2,000
Minnesota	247	277	337	2,000
Mississippi	325	355	400	1,000
Missouri	225	275	304	2,000
Montana	459	459	554	2,000
Nebraska	222	291	351	1,500
Nevada	592	592	682	250
New Hampshire	580	631	744	2,000
New Jersey	553	595	667	2,000
New Mexico	408	441	467	2,000

State	<u>Maximum Basic Rates</u>			Maximum Amount Non-Recurring Expenses
	Age 2	Age 9	Age 16	
New York <sup>4</sup>	419-460	504-541	583-626	2,000
North Carolina	390	440	490	2,000
North Dakota	351	407	531	2,000
Ohio	250	250	250	2,000
Oklahoma	284	338	392	2,000
Oregon	387	402	497	1,500
Pennsylvania	Varies by county			2,000
Rhode Island	403	382	442	400
South Carolina	432	409	474	250
South Dakota	450	450	541	1,500
Tennessee	496	496	471	1,500
Texas	400	400	400	1,500
Utah	848	848	848	2,000
Vermont	426	472	524	2,000
Virginia <sup>5</sup>	326	381	483	2,000
Washington	370	446	520	1,500
West Virginia	600	600	600	1,000

<sup>4</sup> Higher rate is for metro area, which includes NYC and Nassau, Suffolk, Westchester, and Rockland counties

<sup>5</sup> The information for Virginia was received from Lynette Isbell, the Director of the Division of Family Services for the Virginia Department of Social Services.

State	<u>Maximum Basic Rates</u>			Maximum Amount Non-Recurring Expenses
	Age 2	Age 9	Age 16	
Wisconsin	317	346	411	2,000
Wyoming	399	399	399	2,000

Appendix D  
Education Benefits for Children Who Were Adopted

<b>State</b>	<b>Benefit</b>
District of Columbia	Students who were adopted on or after October 1, 2001, through the District of Columbia's Child and Family Services foster care system may receive a scholarship of up to \$10,000.
Florida	Students who were adopted from the Florida Department of Children and Families after May 5, 1997, are exempt from paying tuition and fees at any public college or university, community college or vocational school.
Illinois	Students who have left the guardianship of the Illinois Department of Children and Family Services through adoption may apply for a scholarship under the DCFS Scholarship Program. This scholarship provides a waiver of all tuition and fees at designated universities plus a stipend equal to the standard board rate.
Kansas	Students who were adopted from foster care after the age of 16 may enroll in Kansas's educational institutions without the payment of tuition.
Kentucky	If a student's family received state-funded adoption assistance or the student is an adopted child who was in the permanent legal custody of and placed for adoption by the Cabinet for Health and Family Services, the tuition and mandatory student fees for any undergraduate program of any Kentucky public postsecondary institution are waived.
Maine	Students who were adopted and whose adoptive parents received a subsidy from the Maine Department of Health and Human Services may receive free tuition to Maine public institutions. There are thirty slots available, which are granted on a first-come, first-served basis.
Maryland	If a student resided in out-of-home placement on his or her 14th birthday and was then adopted after his or her 14th birthday, he or she is exempt from paying tuition and mandatory fees at a public college in Maryland.
Massachusetts	Students in the custody of the Department of Social Services who were adopted by an eligible Massachusetts resident through DSS may receive a tuition waiver for state-supported courses at all of the Massachusetts public institutions of higher education, excluding graduate courses.

<b>State</b>	<b>Benefit</b>
New Jersey	New Jersey offers the Foster Care Scholars Program, which may pay for tuition and fees, room and board, books and supplies, transportation, special equipment and computers, and child care costs. In order to qualify for this program, the child must have been adopted through the New Jersey Division of Youth and Family Services after the age of 12 and be in a subsidized adoption at the time of application. Otherwise, the child must have been adopted through the New Jersey Division of Youth and Family Services after the age of 16.
Texas	A student is exempt from the payment of college tuition and fees at state supported colleges and universities if the student was adopted and was the subject of an adoption assistance agreement.
Virginia	The Tuition Grant Program for Foster Care and Special Needs Adoption Recipients provides tuition and fees at any Virginia community college specifically for high school graduates or general education development (GED) completers who were considered a special needs adoption at the time of graduation or completion of the GED.



