

## Federal Adoption Tax Credit and Income Exclusion

On their federal income tax return, adoptive parents may be able to claim a tax credit for qualified adoption expenses and/or an income exclusion for employer-provided adoption assistance for qualified adoption expenses for both domestic and international adoption.

For tax year 2010, the maximum credit for qualified expenses of a legal adoption is \$12,170. A tax credit is typically more valuable than a tax deduction because qualified expenses are subtracted dollar for dollar against your tax liability. For example, if you owe \$5,000 in federal taxes and have \$3,000 in qualified adoption expenses, your tax bill is reduced to \$2,000. If your tax bill is smaller than the credit, the unused portion of the credit may be carried forward for up to five years. In 2009, the exclusion allowed for employer-provided assistance is \$12,150 per child. You can claim both an exclusion and a credit for the same adoption, but not for the same expenses.

The IRS guidelines are available at: [www.irs.gov/formspubs/article/0,,id=177982,00.html](http://www.irs.gov/formspubs/article/0,,id=177982,00.html).

*Parents should contact a tax professional to review the IRS guidelines in order to understand the impact of the adoption tax credit and the income exclusion provisions on their own situation.*

## State Adoption Subsidy Assistance

Infants born in the United States and diagnosed with specific medical conditions are eligible for State Adoption Subsidy Assistance. Under New York and New Jersey State laws, an application for subsidy can be submitted at the time of diagnosis. Application is generally made at the time of placement, although assistance can be accessed following finalization, if the family had not been aware of the presence or severity of the disability. Spence-Chapin will help apply for this assistance whenever a child may be eligible.

## Employee Benefits Programs

Many companies offer some type of adoption benefits to their "regular" employees. These benefits, depending on your company, may include: *direct reimbursement* in the range of \$2,000 to \$10,460 upon placement; *paid leave*—in addition to vacation time, sick leave, or personal days; or *unpaid leave*—personal, medical, or child care.

Your employer may also have an Employee Assistance Program (EAP). This benefit helps employees deal with unusual personal situations or problems.

## Federal Family and Medical Leave Act

Unpaid leave under the federal Family and Medical Leave Act can be an option. This act allows individuals to take up to 12 weeks unpaid leave with certain benefits, without jeopardizing employment. This is not exclusive to an adoption benefit since it is available for anyone who works for a company with 50 or more employees. However, it can provide valuable time for a new mother or father.

## Loans

While it's far from ideal to borrow money, pre-adoptive families may find a loan necessary. Possible loan sources include bank loans, private grants or special loan programs.

**Chase New Additions<sup>sm</sup>** Chase has partnered with the Dave Thomas Foundation for Adoption to help finance adoptions. The Chase New Additions program is a home equity line of credit specifically designed with the needs of prospective families in mind. For more information: [www.chase.com/newadditions](http://www.chase.com/newadditions) or 1-866-345-7687.

The National Adoption Foundation provides financial assistance, services and support to families, before, during and after their adoptions are finalized. The Foundation's programs are available to any family whether they are adopting an infant, a child from abroad or a child from foster care. Grants and loans are available. For more information, visit [www.nafadopt.org](http://www.nafadopt.org).

# Affording Adoption at Spence-Chapin



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## Spence-Chapin Special Funds

The *African-American Adoptionship Fund*, was established in 1993 by the African-American Adoptive Parents' Advisory Committee to assist families who have unusual expenses or circumstances. Qualifying parents may receive a fee reduction or waiver through this fund and are welcome to discuss the details with their social worker.

Similarly, the *International Adoptionship Fund* was started in 1999 to aid prospective families facing unusual financial constraints and those adopting older or special needs children. Prospective parents should discuss the program with their social worker.

Spence-Chapin's ASAP (special needs adoption) program places infants with families who are prepared to meet complex health needs. Its *New York City Welcome Fund* defrays expenses incurred by qualifying applicants who must travel from outside the area to meet their baby.

## Spence-Chapin Comprehensive Sliding Scale Service Fee

Spence-Chapin is a nonprofit agency whose mission is finding homes for children in need both here and from countries around the world. While doing so, we are committed to providing quality services to children, birth parents and adoptive parents, as well as helping, through humanitarian aid, those children left behind.

To accomplish our mission, we established a sliding scale fee for our services based on the applicant's income to enable as many families as possible to become adoptive parents and provide homes for children. The actual cost of providing services far exceeds the revenue from fees, and Spence-Chapin subsidizes over 70% of its adoptions. Since we do not receive government funding, we rely on fundraising, donations and endowments to keep adoption fees affordable for our clients.

Spence-Chapin's service fee is spelled out in the beginning and is comprehensive. It includes, among other services:

- the assignment of a personal social worker
- home study and postplacement services
- educational workshops to help prepare for adoptive parenthood
- assistance from document preparation specialists
- birth parent expenses covered for domestic adoptions
- *free* counseling for a year from our SPARK child development experts
- participation in a well-baby care workshop and a SPARK developmental playshop
- support for humanitarian aid program