

**DEPARTMENT OF HUMAN RESOURCES
SOCIAL SERVICES ADMINISTRATION
311 WEST SARATOGA STREET
BALTIMORE MARYLAND 21201**

DATE: April 1, 2014

POLICY#: SSA-CW #14 – 16
(Supersedes and Replaces SSA #10-26 Adoption Tax Credit)

TO: Directors, Local Departments of Social Services
Assistant Directors of Social Services
Out-of-Home Placement Supervisors

FROM: Carnitra D. White, Executive Director
Social Services Administration

RE: Federal Adoption Tax Credit

PROGRAMS AFFECTED: Out-of Home Placement

ORIGINATING OFFICE: Out-of Home Placement Program/Permanency

ACTION REQUIRED OF: Adoption Program, Foster Care Program, and Resource Development, Placement and Support Services

ACTION DUE DATE: April 15, 2014

CONTACT PERSON: Jill Taylor, Program Manager
Out-of Home Placement
(410) 767-7695

PURPOSE:

This policy directive describes the federal Adoption Tax Credit and the requirement to inform resource families approved for adoption, and families not yet approved but contemplating adopting children in the public child welfare system of the adoption tax credit.

BACKGROUND:

A federal Adoption Tax Credit has existed since 1997. A tax credit reduces the amount of tax for which a taxpayer is liable. It differs from a tax deduction in that a deduction reduces the income subject to a tax while a tax credit directly reduces a tax payer's liability and is considered more valuable than a reduction. With the passage of the Public Law 110-361 – Fostering Connections to Success and Increasing Adoptions of 2008, public child welfare agencies are required to inform prospective adoptive parents of their potential eligibility for the federal adoption tax credit. The federal statute states that “the State will inform any individual who is adopting, or whom the State is made aware is considering adopting, a child who is in foster care under the responsibility of the State of the potential eligibility of the individual for a Federal tax credit.”

Requirements for Local Departments of Social Services

General information regarding the federal tax credit shall be shared at all Information Meetings, and specifics may be offered again as families move forward with a placement and permanency plan for an individual child or sibling group. In order to assist families, the Department of Human Resources/Social Services Administration is providing information on resources to consult about the Adoption Tax Credit. Two helpful sources to consult about the adoption tax credit are: (1) The Internal Revenue Service at www.irs.gov (type “adoption tax credit” into the IRS search engine: and (2) The North American Council on Adoptable Children (NACAC) at www.nacac.org where the user should click on the Adoption Tax credit button on the home page. Since 1994, NACAC has operated the Adoption Subsidy Resource Center to educate parents and professionals about financial benefits, including the adoption tax credit, available to families, children and youth adopted from foster care in the U.S. and Canada

This policy directive should be provided in hard copy form that includes instructions on how to access the information on at the IRS and NACAC website. This policy directive will be included on the Department's public website at <http://www.dhr.state.md.us> under Documents, Child Welfare Policy Directives.

If families require additional guidance in determining eligibility or claiming the tax credit, they must consult their own professional accountant or tax preparer and not use this information as an official source on the adoption tax credit.