

OFFSETTING THE COST of Adoption

by Sally Wildman

When a family or individuals explore adding a child to the family by adoption, they are faced with two extremes as to out-of-pocket costs in this process. Nowadays, in both traditional agency placement and also private placement, direct costs can be expected to average from \$30,000 to \$50,000 or more. However, in adopting a child designated as special needs, most costs of adoption proceedings are covered by state and federal funds to promote permanency for children in care.

Initial services from a licensed adoption agency to expectant parents, or birth parents, consist of evaluation and counseling regarding a placement decision, assistance obtaining social and medical services, needed living expenses of expectant mother, all as allowed by state law. After birth of a newborn and any required waiting period, agency staff generally conduct a surrender of parental rights from consenting birth parents.

For adoptive parents, initial services by a licensed agency include a home study in their state of residence, education on unique aspects of adoptive parenting and presentations of the family's dossier for prospective placements. The agency coordinates steps for the selected adoptive family with the birth family. Once a child is placed with adoptive parents, a legal proceeding for adoption must be initiated. The agency conducts a post-placement investigation to determine that the child is thriving in this home. This investigative report with the agency's findings is presented to the court for finalizing the adoption proceeding. In private placements, a court-designated entity conducts required post-placement investigation and prepares an investigative report for the court.

Because adoption in all U.S. states and most countries requires legal processing, direct costs vary widely and can include agency fees, attorney fees, administrative fees, court costs, foreign country fees, immigration and travel expenses. There also may be allowable birth parent expenses.

There are resources for adopting families to allay extensive costs. Organizations award grants of cash of varying amounts based on the family's application and circumstances. HelpUsAdopt (HelpUsAdopt.org), a nonprofit organization, and Family Formation Charitable Trust (AdoptionArt.org/charitable-trust), a program of Academy of Adoption & Assisted Reproduction Attorneys, accept applications for non-related adoptions other than adoptions through foster care.

Widely available resources for adopting families are adoption tax credits and taxable income exclusion. Federal personal income tax contains a tax credit for "allowable adoption expenses" subject to a maximum personal income amount. Both the



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tax credit and maximum income amount are increased yearly. A full federal tax credit is available for foster parent adoptions, even though there are few direct costs. In addition, employee cash benefits for adopting employees may be excludable from employees' federal taxable income. This is an additional tax saving. For more detailed federal tax credit information, visit IRS.gov/taxtopics/tc607.

Since 2018, Illinois income tax law has also provided an adoption tax credit against Illinois income tax, with similar requirements and different dollar amounts. To confirm your ability to use these tax savings, consult with a tax preparer that is familiar with adoption tax benefits when beginning adoption plans.

Sally Wildman, J.D., a member of the Academy of Adoption & Assisted Reproduction Attorneys, has represented adoptive parents for more than 15 years. For more information, visit SWildmanLaw.com. See the Daily Calendar in this issue for a workshop offered through New Trier Extension on Oct. 13. Register at bit.ly/3iCjwky.