

JANUARY 19, 2016

## PREPARING FOR YOUR TAXES INFORMATION FOR FOSTER, ADOPTIVE & KINSHIP FAMILIES

### FEDERAL TAX BENEFITS FOR FOSTER, ADOPTIVE & KINSHIP CAREGIVERS

#### [2013 FEDERAL TAX GUIDE](#)

The 2013 Federal Tax Guide is available to view for free through the National Foster Parent Association (NFPA) website. You must be a paid member of NFPA to view the 2015 Tax Year information.

#### **IRS - Publication 501**

#### [EXEMPTIONS, STANDARD DEDUCTION, AND FILING INFORMATION \(2015 RETURNS\)](#)

#### **Tax Issues Related to Adoption & Adoption Assistance**

Adoptive parents often ask whether adoption assistance (adoption subsidy) payments are taxable. Many also wonder about claiming their child as a dependent and using the child tax credit. The North American Council on Adoptable Children (NACAC) reviewed related IRS publications, and they offer their interpretation of these issues. [VIEW FACTSHEET](#)

#### **Claiming the Federal Adoption Tax Credit**

For adoptions finalized in 2015, there is a federal adoption tax credit of up to \$13,400 per child. The 2015 adoption tax credit is NOT a refundable credit, which means taxpayers can only get the credit refunded if they have federal income tax liability. The credit is paid one time for each adopted child, and should be claimed when taxpayers file taxes for 2015 (typically in early 2016). [MORE INFORMATION](#)

#### **Adoption Taxpayer Identification Number**

An ATIN is an Adoption Taxpayer Identification Number issued by the Internal Revenue Service as a temporary taxpayer identification number for the child in a domestic adoption where the adopting taxpayers do not have and/or are unable to obtain the child's Social Security Number (SSN). The ATIN is to be used by the adopting taxpayers on their Federal Income Tax return to identify the child while final domestic adoption is pending. [MORE INFORMATION](#)



### NACAC IS OFFERING A WEBINAR ON THE ADOPTION TAX CREDIT

On February 2 at 2 pm central, NACAC's adoption tax credit expert, Josh Kroll, will present a webinar on the federal adoption tax credit.

Participants will learn the steps they need to take to file for the adoption credit. The focus will be on filing for 2015, but will also cover applying for the credit for adoptions as far back as 2012. Josh will explain what parents need to do to take advantage of the credit.

The webinar is \$15 for NACAC members and \$20 for non-members. Payment is accepted by credit card or PayPal.

#### [REGISTER FOR THE WEBINAR](#)

**If you have additional tax-related questions, please contact your tax accountant. IFAPA will not be able to assist you with any tax-related questions.**

# ANSWERS TO COMMON QUESTIONS REGARDING...

## SOCIAL SECURITY NUMBERS, CONFIDENTIALITY, TAXES & HEALTHCARE COVERAGE

**General Policy:** The Department of Human Services is responsible to keep client social security numbers confidential except in specific circumstances, for a specific purpose, and only with a signed release for that purpose. When a foster parent accepts placement of a foster child, they sign the Foster Family Placement Contract, in which it states they agree: *To hold confidential all information received from the Department and Juvenile Court Services, the child, the child's family, and medical personnel, consult with the social worker or juvenile court officer before any disclosure of information, and release no information to unauthorized persons.*

Foster parents may only use social security numbers upon written release from the child's parent or guardian for the specific purpose requested.

**Policy Specific to Foster Parents Claiming Foster Children as Dependents for Tax Purposes:** The Department does not give tax advice to foster parents. Generally, for example, foster parents qualify to claim foster children on their income taxes if the child resided in their home for more than 6 months of the calendar year. As noted above, this can only occur if foster parents have a signed release from the child's parent or guardian allowing them to share the child's social security number for the purpose of tax preparation.

The child's DHS caseworker may be asked by a foster parent for a foster child's social security number in order to claim them on their income taxes. The following is guidance in response to this request:

- **When the Department is the Guardian:** The Department may release the social security number to the foster parent when DHS is the guardian. However, the foster parent will need to get a letter from the Department to allow them to give that social security number to their tax preparer for income tax purposes only.
- **When the Department is Not the Guardian:** The foster child's parents retain their right to authorize or not authorize the release of their child's social security number to foster parents. Some of the foster child's parents may be claiming their child on their income taxes.

If asked by a foster parent, the DHS caseworker should facilitate a conversation between the foster parent and the parent to procure the appropriate release of information. If the foster parent is comfortable pursuing the discussion directly, the caseworker can provide the release (form 470-0429, *Consent to Obtain and Release Information*) to the foster parent to obtain the parent's signature. In either of these scenarios, the caseworker should ensure the foster parent is aware the parent has the right not to sign the requested release.

**Healthcare Coverage:** For your Federal income tax return this year you will need to indicate by checking a box on any of the following income tax forms *1040, 1040A or 1040EZ* if you have had health care insurance. No documentation of insurance is required by the Federal government. If your tax preparer is asking you for documentation of insurance for your foster children, all you need to do is show them the Medicaid insurance card. You do not need to make a copy of their Medicaid insurance card.

### What is minimum essential coverage?

The following is from the IRS.gov website: *Under the ACA, minimum essential coverage is a health care plan or arrangement specifically identified in the law as minimum essential coverage, including:*

- *Specified government-sponsored programs (e.g., Medicare Part A, Medicare Advantage, most Medicaid programs, CHIP, most TRICARE programs, and comprehensive health care coverage of veterans)*
- *The IRS does not require taxpayers to submit documentation of health coverage with their tax returns.*

### How will taxpayers report minimum essential coverage?

*Taxpayers whose entire tax household had minimum essential coverage for each month of their tax year will indicate this on their federal income tax return by simply checking a box on their Form 1040, 1040A or 1040EZ. No further action is required.*