

Tax Benefits for Foster Parents

Foster parents are eligible to claim many tax benefits on both their federal and state tax returns as a result of fostering children in their home throughout the year. But, to qualify for these tax benefits the child must meet certain requirements listed below.

Requirements to Claim a Foster Child as a Qualifying Child for Tax Purposes

- Must be placed with you by judgment, court order or an authorized placement agency (state or local government organization)
- Must be under 19 or under 24 and a full-time student or permanently and totally disabled
- Must have lived with you for more than 6 months of the tax year except for temporary absences
- The child must not have provided more than half of his/her support
- The child must not be filing a joint tax return
- The child must be a US Citizen, US National, US Resident Alien or a Resident of Canada or Mexico
- The child must have a Social Security Number or an Individual Taxpayer Identification Number (ITIN)

If all of these requirements are met you can claim them as a dependent on your tax return which qualifies you for a dependent exemption. If they are under age 17 you can claim the child tax credit and/or the additional child tax credit. If they are under age 13 and you pay a childcare provider to care for them you can claim the child and dependent care credit. If you meet all of the other requirements you can utilize your foster child to qualify for Head of Household filing status as well as the Earned Income Tax Credit. You also do not have to claim the maintenance payments you receive for the care and support of your foster child(ren) as income.

On your Virginia tax return you can also claim an additional deduction of \$1,000 per foster child in addition to your standard deduction and/or itemized deductions. You also do not have to claim the maintenance payments you receive for the care and support of your foster child(ren) as income.

Requirements to Claim the Adoption Tax Credit

- There are different rules on claiming the credit based upon if the adoption will be of a US-born child or a foreign-born child
- Generally expenses are deductible in the year the adoption is finalized
- Eligible expenses include reasonable and necessary adoption fees, court costs and attorney fees, travel expenses (including meals and lodging), and other expenses directly related to the adoption of a child
- Current credit is a maximum of \$13,570/child
- There is an income limit based upon your Modified Adjusted Gross Income which begins at \$203,540 and ends at \$243,540
- If a State has determined that a child has Special Needs¹ the parents qualify for the maximum credit of \$13,570 even if they didn't have any expenditures

¹ The child is a US Citizen or resident when the adoption process began, a state determines that the child can't or shouldn't be returned to his/her parent's home and a state determines that the child probably wouldn't be adoptable without assistance provided to the adopting family.