

Instructions for Form 8839

Qualified Adoption Expenses

General Instructions

Purpose of Form

You may be able to take the adoption credit if you paid qualified adoption expenses in:

- 1997, or
- 1998 and the adoption was final in or before 1998.

Use Form 8839 to figure the amount of your credit.

If you received any **employer-provided adoption benefits** for 1998, you **MUST** use Form 8839 to figure the amount, if any, of benefits you may exclude from your income on line 7 of Form 1040 or Form 1040A. You need to complete Part III of Form 8839 before you can figure the credit, if any, in Part II.

Caution: *Special rules apply if you paid expenses or received benefits in connection with the adoption of an eligible foreign child. See the instructions for line 1, column (e), for details.*

Definitions

Eligible Child

An eligible child is:

- Any child **under age 18**. If the child turned 18 during the year, the child is an eligible child for the part of the year he or she was under age 18.
- Any disabled person not able to care for himself or herself.

Caution: *If you and another person adopted or tried to adopt an eligible child, see the instructions for line 2 (or line 17 if applicable) before you enter an amount on that line.*

Employer-Provided Adoption Benefits

These are amounts your employer paid directly to either you or a third party for qualified adoption expenses. Your salary may have been reduced to pay for these benefits. Employer-provided adoption benefits should be shown in box 13 of your 1998 W-2 form(s) with code T.

Qualified Adoption Expenses

For purposes of the credit, these are the reasonable and necessary expenses directly related to, and for the principal purpose of, the legal adoption of an eligible child.

Qualified adoption expenses **include**:

- Adoption fees.
- Attorney fees.
- Court costs.
- Travel expenses (including meals and lodging) while away from home.

Qualified adoption expenses **do not include** expenses:

- For which you received funds under any state, local, or Federal program.

- That violate state or Federal law.
- For carrying out a surrogate parenting arrangement.
- For the adoption of your spouse's child.
- Paid or reimbursed by your employer or any other person or organization.
- Paid before 1997.
- Allowed as a credit or deduction under any other provision of Federal income tax law.

Who May Take the Adoption Credit or Exclude Employer-Provided Adoption Benefits?

You may take the credit or exclusion if **all three** of the following apply.

1. Your filing status is Single, Head of household, Qualifying widow(er) with dependent child, or Married filing jointly. However, if your filing status is Married filing separately, see **Married Persons Filing Separate Returns** below.

2. Your modified AGI (adjusted gross income) is less than \$115,000. To figure your modified AGI, see the instructions for line 8 (for the credit) or line 24 (for the exclusion).

3. You report the required information about the eligible child on line 1.

Caution: *Special rules apply if the eligible child is a foreign child. See the instructions for line 1, column (e), for details.*

Married Persons Filing Separate Returns

You may take the credit or exclusion if you meet items **2** and **3** listed above and **all** of the following apply.

- You lived apart from your spouse during the last 6 months of 1998.
- The eligible child lived in your home more than half of 1998.
- You provided over half the cost of keeping up your home.

Line Instructions

Line 1

Complete all columns that apply to the eligible child you adopted or tried to adopt. If you do not give correct or complete information, your credit (and any applicable exclusion) may be disallowed.

If you cannot give complete information because you tried to adopt an eligible child but were not successful or the adoption was not final by the end of 1998, complete the entries you can on line 1. Enter "See Page 2" in the columns for which you do not have the information. Then, on the bottom of page 2, enter the name and address of

any agency or agent (such as an attorney) that assisted in the attempted adoption.

Child 1 or Child 2

If you tried to adopt **one** eligible child and you made more than one attempt to do so, combine the amounts you spent and enter the total on the "Child 1" line. **Do not** report the additional attempt(s) on the "Child 2" line. Complete the "Child 2" line **only** if you adopted or tried to adopt **two** eligible children. If you adopted or tried to adopt more than two eligible children, see **More Than Two Eligible Children** on this page.

Caution: If you filed a 1997 Form 8839 in connection with this adoption, enter your 1998 information on the same line (Child 1 or Child 2) that you used for 1997.

Column (a)

Enter the eligible child's name.

Column (c)

Check this box if the child was born **before 1980** and was disabled. A child is **disabled** if the child is physically or mentally unable to care for himself or herself.

Column (d)

Check this box if the child was also a child with special needs. A child is a **child with special needs** if **both** of the following apply.

1. The child was a citizen or resident of the United States or its possessions at the time the adoption process began.

2. A state (including the District of Columbia) has determined that the child cannot or should not be returned to his or her parents' home and probably will not be adopted unless assistance is provided to the adoptive parents. Factors used by states to make this determination include:

- The child's ethnic background and age,
- Whether the child is a member of a minority or sibling group, and
- Whether the child has a medical condition or a physical, mental, or emotional handicap.

Caution: If you check this box, be sure to keep evidence of the state's determination in your records.

Column (e)

Check this box if the child was a foreign child. A child is a **foreign child** if he or she was **not** a citizen or resident of the United States or its possessions at the time the adoption process began.

Special Rules. If you paid **qualified adoption expenses** in connection with the adoption of a foreign child and the adoption was **not final** by the end of 1998, you **cannot** use those expenses to figure your 1998 adoption credit. **Do not** include them on line 5 of Form 8839. If the adoption becomes final in 1999, you may be able to take a credit for those expenses on your 1999 return.

If you received **employer-provided adoption benefits** in 1998 in connection with the adoption of a foreign child and the adoption was not final by the end of 1998, you must include the benefits in the total entered on Form 1040, or Form 1040A, line 7. Also, enter "AB" (adoption benefits) next to line 7. If the adoption becomes final in 1999, you may be able to exclude the benefits from your 1999 income.

Exclusion of 1997 benefits. If you received employer-provided adoption benefits in 1997 in connection with the adoption of a foreign child **and** the adoption was final in 1998, you may be able to exclude part or all of those benefits from your 1998 income. To find out if you can, complete Part III of Form 8839 through line 29. However, on line 18, enter zero. On line 20, enter the total amount of employer-provided adoption benefits received in 1997 and 1998. On the dotted line next to line 20, enter "97 AB" and the amount of 1997 benefits received. Then, use the worksheet below to figure the amount of any 1997 benefits you may exclude and the amount, if any, to enter on line 30.

Exclusion of 1997 Benefits Worksheet (keep for your records)

1. Is the amount on your 1998 Form 8839, line 29, less than the amount on line 21?
No. Go to line 4.
Yes. Subtract line 29 from line 21 1. _____
2. Enter the **1997** employer-provided adoption benefits included on line 20 for the child..... 2. _____
3. **Taxable benefits.** Subtract line 2 from line 1. Enter the result, but not less than zero, here and on Form 8839, line 30. Also, include this amount, if more than zero, on line 7 of Form 1040 or Form 1040A. On the line next to line 7, enter "AB"..... 3. _____
4. Enter the amount from Form 8839, line 29 . 4. _____
5. Enter the **1998** employer-provided adoption benefits included on line 20 for the child..... 5. _____
6. **1997 excluded benefits.** Subtract line 5 from line 4 6. _____

Note: If line 5 is equal to or more than line 4, **stop here**; you **cannot** exclude any of your 1997 benefits.

Next: Figure the total you would enter on line 7 of Form 1040 or Form 1040A **before** you exclude the amount from line 6 above. Then, subtract the amount from line 6 above from that total. Enter the result on line 7 of Form 1040 or Form 1040A. On the line next to line 7, enter "97 AB" and the amount from line 6 above.

Column (f)

Enter the child's identifying number. This may be a social security number (SSN), an adoption taxpayer identification number (ATIN), or an individual taxpayer identification number (ITIN).

To get an —

- SSN, use **Form SS-5.**
- ATIN, use **Form W-7A.**
- ITIN, use **Form W-7.**

More Than Two Eligible Children

If you adopted or tried to adopt more than two eligible children, fill in and attach as many Forms 8839 as you need to list them. Also, enter "See Attached" to the right of the **Caution** below line 1.

For **Part II**, fill in lines 2 through 6 for each child. But fill in lines 7 through 16 on only one Form 8839. The amount on line 7 of that Form 8839 should be the combined total of the amounts on line 6 of all the Forms 8839.

For **Part III**, fill in lines 17 through 20 and 22 for each child. But fill in lines 21 and 23 through 30 on only one Form 8839. The amount on line 21 of that Form 8839 should be the combined total of the amounts on line 20 of all the Forms 8839, and the amount on line 23 should be the combined total of the amounts on line 22.

Line 2

Enter \$5,000 (\$6,000 if the child was also a child with special needs). If you and another person each paid qualified adoption expenses to adopt the same child, the \$5,000 limit (or \$6,000 if applicable) must be divided between the two of you in any way you both agree. If the other person is your spouse and you are filing a joint return, this rule does not apply.

Line 3

If you filed a 1997 Form 8839 in connection with the adoption of the child, enter the amount shown on line 4 of that form for the child. If you filed a 1997 Form 8839 in connection with the adoption of another child, enter zero.

Line 8

Use the following chart to find your modified AGI (adjusted gross income) to enter on line 8.

IF you file...	THEN enter on line 8 the amount from...
Form 1040	Form 1040, line 34, increased by the total of any: <ul style="list-style-type: none"> ● Exclusion of income from Puerto Rico, and ● Amount from— <ul style="list-style-type: none"> ● Form 2555, lines 43 and 48. ● Form 2555-EZ, line 18. ● Form 4563, line 15.
Form 1040A	Form 1040A, line 19

Line 14

The amount of your credit may be limited. To find out if it is, complete the **Credit Limit Worksheet** on this page.

Credit Limit Worksheet—Line 14 (keep for your records)

Caution: Form 1040 filers, if you are claiming the mortgage interest credit (see the instructions for Form 1040, line 47), complete **Form 8396** before you begin.

1. **Form 1040 filers**, enter the amount from Form 1040, line 40, minus the total of any amounts on lines 41 through 44, and any mortgage interest credit from Form 8396, line 11. **Form 1040A filers**, enter the amount from Form 1040A, line 25, minus the total of any amounts on lines 26 through 29 1. _____
2. Enter the amount from Form 8839, line 14 2. _____
3. Enter the **smaller** of line 1 or line 2. Also, enter this amount on Form 1040, line 45, or Form 1040A, line 30. If line 1 is the smaller amount, replace the amount on Form 8839, line 14, with that new amount... 3. _____

Lines 15 and 16

If you had to replace the amount on line 14 of Form 8839 with a new amount from the **Credit Limit Worksheet**, you have an unused credit to carry forward to the next 5 years or until used, whichever comes first. Use the worksheet below to figure the amount of your credit carryforward. If you have any unused credit to carry forward to 1999, be sure you keep a copy of your 1998 Form 8839. You will need it to figure your credit for 1999.

Credit Carryforward Worksheet—Lines 15 and 16 (keep for your records)

1. Enter the amount from line 2 of the Credit Limit Worksheet above 1. _____
 2. Enter the new amount from Form 8839, line 14 2. _____
 3. Subtract line 2 from line 1 3. _____
 4. Do you have a credit carryforward from 1997?
 - No. Stop here;** enter -0- on Form 8839, line 15, and enter the amount from line 3 above on line 16.
 - Yes.** Enter the amount from Form 8839, line 13 4. _____
 5. If line 4 above is equal to or less than line 2, enter -0-. If line 4 is more than line 2, subtract line 2 from line 4..... 5. _____
 6. Subtract line 5 from line 3. If the result is zero, enter -0- 6. _____
- Next:** Enter the amount, if more than zero, from line 5 above on Form 8839, line 15. Then, enter the amount, if more than zero, from line 6 above on Form 8839, line 16.

Line 17

Enter \$5,000 (\$6,000 if the child was also a child with special needs). If you and another person each received employer-provided adoption benefits in connection with the adoption of the same eligible child, the \$5,000 limit (or \$6,000 if applicable) must be divided between the two of you in any way you both agree. If the other person is your spouse and you are filing a joint return, this rule does not apply.

Line 18

If you received employer-provided adoption benefits in 1997 in connection with the adoption of the child, enter the amount shown on line 15 of your 1997 Form 8839 for the child. If the 1997 benefits were received in connection with the adoption of a different child, enter zero on line 18.

Caution: *If the 1997 benefits were received in connection with the adoption of a foreign child and the adoption was final in 1998, see **Exclusion of 1997 benefits** on page 2.*

Line 24

Follow these steps before you fill in the line 24 worksheet on this page.

Step	Action						
1	Figure the amount you would enter on line 7 of Form 1040 or 1040A if you could exclude the total amount on Form 8839, line 21.						
2	If you received social security benefits, use Pub. 915 to figure the taxable amount of your benefits.						
3	If you made contributions to a traditional IRA for 1998 and you were covered by a retirement plan at work or through self-employment, use Pub. 590 to figure your IRA deduction.						
4	If you file Form 1040, figure any amount to be entered on the dotted line next to line 32.						
5	Complete the following lines on your return if they apply: <table border="1" data-bbox="230 1423 782 1669"> <thead> <tr> <th>IF you file...</th> <th>THEN complete...</th> </tr> </thead> <tbody> <tr> <td>Form 1040</td> <td>Lines 8a, 8b, 9 through 21, 23, and 25 through 31a</td> </tr> <tr> <td>Form 1040A</td> <td>Lines 8a, 8b, 9 through 13b, and 15</td> </tr> </tbody> </table>	IF you file...	THEN complete...	Form 1040	Lines 8a, 8b, 9 through 21, 23, and 25 through 31a	Form 1040A	Lines 8a, 8b, 9 through 13b, and 15
IF you file...	THEN complete...						
Form 1040	Lines 8a, 8b, 9 through 21, 23, and 25 through 31a						
Form 1040A	Lines 8a, 8b, 9 through 13b, and 15						

Modified AGI Worksheet—Line 24 (keep for your records)

- Enter the amount you would enter on line 7 of Form 1040 or 1040A if you could exclude the total amount on Form 8839, line 21 **1.** _____
 - Enter the amount from Form 8839, line 21 . **2.** _____
 - Form 1040 filers**, add the amounts on lines 8a, 9 through 14, 15b, 16b, 17 through 19, 20b, and 21. Enter the total. **Form 1040A filers**, add the amounts on lines 8a, 9, 10b, 11b, 12, and 13b. Enter the total..... **3.** _____
 - Add lines 1, 2, and 3..... **4.** _____
 - Form 1040 filers**, enter the total of the amounts from lines 23 and 25 through 31a, plus any amount entered on the dotted line next to line 32. **Form 1040A filers**, enter the amount from line 15..... **5.** _____
 - Subtract line 5 from line 4..... **6.** _____
- Form 1040 filers**, increase the amount on line 6 above by the total of the following amounts. Enter the total on Form 8839, line 24.

- Any amount from **Form 2555**, lines 43 and 48; **Form 2555-EZ**, line 18; and **Form 4563**, line 15, and
- Any exclusion of income from Puerto Rico.

Form 1040A filers, enter on Form 8839, line 24, the amount from line 6 above.

Caution: *For purposes of the credit, your modified AGI may be different. If you are taking the credit, be sure to read the instructions for line 8 on page 3 before you enter an amount on that line.*

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 46 min.; **Learning about the law or the form**, 20 min.; **Preparing the form**, 1 hr., 31 min.; and **Copying, assembling, and sending the form to the IRS**, 35 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for Form 1040 or 1040A.