



Instructions for Form 8839

(Rev. March 2003)

Qualified Adoption Expenses

General Instructions

Changes To Note

- **Adoption Credit.** The maximum credit has been increased to \$10,000 per child. The credit is allowed only if your modified adjusted gross income (AGI) is less than \$190,000.
- **Employer-Provided Adoption Benefits.** The maximum exclusion for employer-provided adoption benefits has been increased to \$10,000 for each eligible child. The exclusion is allowed only if your modified AGI is less than \$190,000.

Purpose of Form

Use Form 8839 to figure the amount of your adoption credit. You may be able to take the credit if you paid qualified adoption expenses in:

- 2001 or
- 2002 and the adoption became final in or before 2002. You may also be able to take the credit if:
- You paid expenses after 1996 in connection with the adoption of an eligible foreign child **and** the adoption became final in 2002. See the instructions for line 1, column (e).
- You have a carryforward of an adoption credit from a prior year.

Use Part III of Form 8839 to figure the amount of any **employer-provided adoption benefits** you may exclude from your income on line 7 of Form 1040 or 1040A if:

- You received these benefits in 2002. However, special rules apply for benefits received in connection with the adoption of an eligible foreign child. See the instructions for line 1, column (e).
- You received these benefits after 1996 in connection with the adoption of an eligible foreign child **and** the adoption became final in 2002. See the instructions for line 1, column (e).

You **must** complete Part III of Form 8839 before you can figure the credit, if any, in Part II.

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 unable to care for himself or herself.



If you and another person (other than your spouse if filing jointly) adopted or tried to adopt an eligible child, see the instructions for line 2 (or line 19 if applicable) before completing Part II (or Part III if applicable).

Employer-Provided Adoption Benefits

Employer-provided adoption benefits 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. These benefits should be shown in box 12 of your Form(s) W-2 with a code T.

Qualified Adoption Expenses

Qualified adoption expenses are 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. If your filing status is married filing separately, see **Married Persons Filing Separate Returns** below.

2. Your modified AGI is less than \$190,000. To figure your modified AGI, see the instructions for line 8 (for the credit) or line 26 (for the exclusion).

3. You report the required information about the eligible child in Part I.

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 2002.
- The eligible child lived in your home more than half of 2002.
- You provided over half the cost of keeping up your home.

Specific Instructions

Part I—Information About Your Eligible Child or Children

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 exclusion may be disallowed.

If you cannot give complete information because you tried to adopt an eligible child but were unsuccessful or the adoption was not final by the end of 2002, 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 made more than one attempt to adopt **one** eligible child, combine the amounts you spent and complete only 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 filed Form 8839 for a prior year in connection with this adoption, enter your 2002 information on the same line (Child 1 or Child 2) that you used in the prior year.

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 18 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 19 through 22 and 24 for each child. But fill in lines 23 and 25 through 31 on only one Form 8839. The amount on line 23 of that Form 8839 should be the combined total of the amounts on line 22 of all the Forms 8839. The amount on line 25 of that form should be the combined total of the amounts on line 24.

Column (c)

Check this box if the child was born **before 1984** 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 a child with special needs. A child is a **child with special needs** if **all three** 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.

3. The state has determined that the child 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.



If you check the box in column (d), 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** after 1996 in connection with the adoption of a foreign child **and** the adoption became **final** in 2002, you may use the total expenses paid after 1996 in determining the amount to enter on line 5. Complete the **Qualified Adoption Expenses Worksheet** in the instructions for line 5. However, on line 7 of that worksheet, enter your total qualified adoption expenses from 1997 through 2001. If the adoption **did not** become **final** by the end of 2002, you **cannot** take the adoption credit for that child in 2002. If the adoption becomes final in a later year, you may be able to take a credit for the expenses in that year.

If you received **employer-provided adoption benefits** in 2002 in connection with the adoption of a foreign child and the adoption **did not** become **final** by the end of 2002, you must include the benefits in the total entered on Form 1040 or 1040A, line 7. Also, enter "AB" (adoption benefits) next to line 7. If the adoption becomes final in a later year, you may be able to exclude the benefits from your income in that year.

Exclusion of prior year benefits. If you received employer-provided adoption benefits after 1996 in connection with the adoption of a foreign child **and** the adoption became **final** in 2002, you may be able to exclude part or all of those benefits from your 2002 income. To find out if you can, complete the following worksheet. You also must use the worksheet to complete Part III of Form 8839 and to figure any taxable benefits to enter on Form 8839, line 31.

If the adoption of more than one foreign child became final in 2002, complete lines 1 through 7 of the worksheet on the next page separately for each foreign child and use the combined totals to complete lines 8 through 13 of the worksheet.

Exclusion of Prior Year Benefits Worksheet
(keep for your records)

1. Enter the total **1997 through 2001** employer-provided adoption benefits you received for the adoption of the foreign child 1. _____
2. Enter **\$5,000**. If you and another person (other than your spouse if filing jointly) each received employer-provided adoption benefits after 1996 and before 2002 to adopt the same child, see instructions 2. _____
3. Enter the **smaller** of line 1 or line 2 3. _____
4. Enter the total **2002** employer-provided adoption benefits you received for the adoption of the foreign child 4. _____
5. Add lines 3 and 4 5. _____
6. Enter **\$10,000**. If you and another person (other than your spouse if filing jointly) each received employer-provided adoption benefits in 2002 to adopt the same child, see instructions 6. _____
7. Enter the **smaller** of line 5 or line 6 here and on Form 8839, line 19. If necessary, cross out the preprinted amount on line 19 and enter the result above the preprinted amount 7. _____

Next:

- Enter zero on Form 8839, line 20.
- On Form 8839, line 22, enter the total amount of employer-provided adoption benefits received in **1997 through 2002**. On the dotted line next to line 22, enter "PYAB" and the total amount of benefits you received in **1997 through 2001**.
- Complete Form 8839 through line 30. Then, complete lines 8 through 13 below to figure the amount of any prior year benefits you may exclude and the taxable benefits, if any, to enter on Form 8839, line 31.

8. Is the amount on your 2002 Form 8839, line 30, less than the amount on Form 8839, line 23?
 No. Go to line 11.
 Yes. Subtract line 30 from line 23 8. _____
9. Enter the total **1997 through 2001** employer-provided adoption benefits included on Form 8839, line 22, for all children 9. _____
10. **Taxable benefits.** Subtract line 9 from line 8. If zero or less, enter -0-. Enter the result here and on Form 8839, line 31. If more than zero, also include this amount on line 7 of Form 1040 or 1040A. On the dotted line next to line 7, enter "AB." 10. _____
11. Enter the amount from Form 8839, line 30 11. _____
12. Enter the total **2002** employer-provided adoption benefits included on Form 8839, line 22, for all children 12. _____
13. **Prior year excluded benefits.** Subtract line 12 from line 11. If zero or less, **stop**; you can not exclude any of your prior year benefits 13. _____

Next. Figure the total you would enter on line 7 of Form 1040 or 1040A **before** you exclude the amount from line 13 above. Then, subtract the amount from line 13 above from that total. Enter the result on line 7 of Form 1040 or 1040A. On the line next to line 7, enter "PYAB" and the amount from line 13 above.

Line 2 of the worksheet. The limit on employer-provided adoption benefits received after 1996 and before 2002 for the adoption of a foreign child that may be excluded from income is \$5,000. If you and another person (other than your spouse if filing jointly) each received employer-provided adoption benefits to adopt the same child, the \$5,000 limit must be divided between the two of you. You may divide it in any way you both agree. Enter your share of the \$5,000 limit on line 2 of the worksheet above.

Line 6 of the worksheet. The limit on employer-provided adoption benefits received in 2002 for the adoption of a foreign child that may be excluded from income is \$10,000 (before reduction for any employer-provided adoption benefits received after 1996 and before 2002 for the adoption of that same child). If you and another person (other than your spouse if filing jointly) each received employer-provided adoption benefits to adopt the same child, the \$10,000 limit must be divided between the two of you. You may divide it in any way you both agree. Enter your share of the \$10,000 limit on line 6 of the worksheet 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**.

Part II—Adoption Credit

Line 2


The maximum adoption credit is \$10,000 per child. If you and another person each paid qualified adoption expenses to adopt the same child, the \$10,000 limit must be divided between the two of you. You may divide it 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. Cross out the preprinted entry on line 2 and enter above line 2 your share of the \$10,000 limit for that child.

Line 3

Did you file Form 8839 for a prior year in connection with the adoption of the same child?

- No.** Enter zero on line 3.
- Yes.** If you filed a **1998, 1999, 2000, or 2001** Form 8839, enter the total of the amounts shown for the child on lines 3 and 6 of the **last** form you filed. Otherwise, enter the amount shown for the child on line 4 of your **1997** Form 8839.

Line 5

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

If the adoption became final **before 2002**, enter your qualified adoption expenses from 2002 on line 5. Otherwise, complete the following worksheet to figure the amount, if any, to enter on line 5.

Qualified Adoption Expenses Worksheet – Line 5
(keep for your records)

1. Enter the amount from Form 8839, line 4 1. _____
2. Did the adoption become final in 2002?
 No. Enter -0-.
 Yes. Enter your qualified adoption expenses from 2002 2. _____
3. Is line 2 **smaller** than line 1?
 No. Stop; enter the amount from line 2 on Form 8839, line 5.
 Yes. Subtract line 2 from line 1 3. _____
4. Enter \$5,000 (\$6,000 for a child with special needs). 4. _____
5. Enter the amount from Form 8839, line 3 5. _____
6. Subtract line 5 from line 4 6. _____
7. Enter your qualified adoption expenses from 2001 7. _____
8. Enter the **smallest** of line 3, line 6, or line 7 . . 8. _____
9. Add lines 2 and 8. Enter the result here and on Form 8839, line 5 9. _____

No. Enter the amount from line 1 above on line 7. Leave lines 2 through 6 blank.

Yes. Have that worksheet handy and go to line 2.

2. Enter any credit carryforward from 1997 (line 9 of your 2001 worksheet) 2. _____
 3. Enter any credit carryforward from 1998 (line 11 of your 2001 worksheet) 3. _____
 4. Enter any credit carryforward from 1999 (line 13 of your 2001 worksheet) 4. _____
 5. Enter any credit carryforward from 2000 (line 15 of your 2001 worksheet) 5. _____
 6. Enter any credit carryforward from 2001 (line 17 of your 2001 worksheet) 6. _____
 7. Add lines 1 through 6 7. _____
 8. Enter the amount from Form 8839, line 18 8. _____
 9. Subtract line 8 from line 7 9. _____
- Did you enter an amount on line 2, 3, 4, 5, or 6 above?
- No. Stop;** enter the amount from line 9 on lines 20 and 23; leave all the other lines blank.
 Yes. Go to line 10.

Line 8

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

IF you file. . .	THEN enter on line 8 the amount from. . .
Form 1040	Form 1040, line 36, 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 22

10. Subtract line 8 from line 2. If zero or less, enter -0- 10. _____
11. Subtract line 2 from line 8. If zero or less, enter -0- 11. _____
12. **1998 credit carryforward to 2003.** Subtract line 11 from line 3. If zero or less, enter -0- 12. _____
13. Subtract line 3 from line 11. If zero or less, enter -0- 13. _____
14. **1999 credit carryforward to 2003.** Subtract line 13 from line 4. If zero or less, enter -0- 14. _____
15. Subtract line 4 from line 13. If zero or less, enter -0- 15. _____
16. **2000 credit carryforward to 2003.** Subtract line 15 from line 5. If zero or less, enter -0- 16. _____
17. Subtract line 5 from line 15. If zero or less, enter -0- 17. _____
18. **2001 credit carryforward to 2003.** Subtract line 17 from line 6. If zero or less, enter -0- 18. _____
19. Add lines 10, 12, 14, 16, and 18 19. _____
20. **2002 credit carryforward to 2003.** Subtract line 19 from line 9. If zero or less, enter -0- 20. _____
21. Add lines 19 and 20 21. _____
22. Enter the amount from line 10 22. _____
23. **Total credit carryforward to 2003.** Subtract line 22 from line 21 23. _____

Line 13

If you completed the **Credit Carryforward Worksheet** in your **2001** Form 8839 instructions, enter the amount from line 18 of that worksheet.

Line 18 – Credit Carryforward to 2003

If line 17 of Form 8839 is smaller than line 14, you may have an unused credit to carry forward to the next 5 years or until used, whichever comes first. Use the worksheet that follows to figure the amount of your credit carryforward. If you have any unused credit to carry forward to 2003, be sure you keep the worksheet. You will need it to figure your credit for 2003.

Credit Carryforward Worksheet
(keep for your records)

1. Enter the amount from Form 8839, line 12 1. _____
- Did you use the **Credit Carryforward Worksheet** in the **2001** Form 8839 instructions?

Part III—Employer-Provided Adoption Benefits

Line 19

The maximum amount that may be excluded from income for employer-provided adoption benefits is

\$10,000 per child. If you and another person each received employer-provided adoption benefits in connection with the adoption of the same eligible child, the \$10,000 limit must be divided between the two of you. You may divide it 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. Cross out the preprinted entry on line 19 and enter above line 19 your share of the \$10,000 limit for that child.

Line 20

Did you receive employer-provided adoption benefits for a prior year in connection with the adoption of the same child?

No. Enter zero on line 20.

Yes. Use the following chart to find the amount to enter on line 20.

IF the last year you received benefits for was...	THEN enter on line 20 the total of the amounts from...
2001	Lines 16 and 20 of your 2001 Form 8839 for the child
2000	Lines 16 and 20 of your 2000 Form 8839 for the child
1999	Lines 20 and 24 of your 1999 Form 8839 for the child
1998	Lines 18 and 22 of your 1998 Form 8839 for the child
1997	Line 15 of your 1997 Form 8839 for the child



Special rules apply if the prior year benefits were received in connection with the adoption of a foreign child and the adoption became final in 2002. See *Exclusion of prior year benefits* in the instructions for line 1, column (e).

Line 26

Follow these steps before you fill in the line 26 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 23.						
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 2002 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 34.						
5	Complete the following lines on your return if they apply: <table border="1" style="margin-left: 20px;"> <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, 24, and 27 through 33a</td> </tr> <tr> <td>Form 1040A</td> <td>Lines 8a, 8b, 9 through 14b, 16 and 17</td> </tr> </tbody> </table>	IF you file...	THEN complete...	Form 1040	Lines 8a, 8b, 9 through 21, 23, 24, and 27 through 33a	Form 1040A	Lines 8a, 8b, 9 through 14b, 16 and 17
IF you file...	THEN complete...						
Form 1040	Lines 8a, 8b, 9 through 21, 23, 24, and 27 through 33a						
Form 1040A	Lines 8a, 8b, 9 through 14b, 16 and 17						

Modified Adjusted Gross Income (AGI) Worksheet—Line 26 (keep for your records)

1. 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 23 1. _____
2. Enter the amount from Form 8839, line 23 2. _____
3. **Form 1040 filers**, enter the total of lines 8a, 9 through 14, 15b, 16b, 17 through 19, 20b, and 21. **Form 1040A filers**, enter the total of lines 8a, 9, 10, 11b, 12b, 13, and 14b 3. _____
4. Add lines 1, 2, and 3 4. _____
5. **Form 1040 filers**, enter the total of lines 23, 24, and 27 through 33a, plus any amount entered on the dotted line next to line 34. **Form 1040A filers**, enter the total of lines 16 and 17 5. _____
6. 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 26.

- 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 26, the amount from line 6 above.



For purposes of the adoption credit, your modified AGI may be different. If you are taking the credit, be sure to read the instructions for line 8 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**, 39 min.; **Learning about the law or the form**, 17 min.; **Preparing the form**, 1 hr., 59 min.; and **Copying, assembling, and sending the form to the IRS**, 34 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.