



Instructions for Form 8839

Qualified Adoption Expenses

General Instructions

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:

- 2000 or
 - 2001 and the adoption was final in or before 2001.
- You may also be able to take the credit if you have an adoption credit carryforward from a prior year.

If you received any **employer-provided adoption benefits** for 2001, 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 1040A. You need to complete Part III of Form 8839 before you can figure the credit, if any, in Part II.



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 unable to care for himself or herself.



If you and another person adopted or tried to adopt an eligible child, see the instructions for line 2 (or line 15 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 12 of your W-2 form(s) with a code **T**.

Qualified Adoption Expenses

These 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. 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 22 (for the exclusion).
3. You report the required information about the eligible child in Part I.



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 2001.
- The eligible child lived in your home more than half of 2001.
- 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 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 2001, 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 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.



If you filed Form 8839 for a prior year in connection with this adoption, enter your 2001 information on the same line (Child 1 or Child 2) that you used in the prior year.

Column (a)

Enter the eligible child's name.

Column (c)

Check this box if the child was born **before 1983** 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 **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 was **final** in 2001, treat the total expenses paid after 1996 as having been paid in 2001. Include the total expenses on line 5 of Form 8839. If the adoption was **not final** by the end of 2001, you **cannot** use the expenses to figure your 2001 adoption credit. **Do not** include them on line 5 of Form 8839. 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 2001 in connection with the adoption of a foreign child and the adoption was not final by the end of 2001, 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 in 1997, 1998, 1999, or 2000 in connection with the adoption of a foreign child **and** the adoption was final in 2001, you may be able to exclude part or all of those benefits from your 2001 income. To find out if you can, complete Part III of Form 8839 through line 26. However, on line 16, enter zero. On line 18, enter the total amount of employer-provided adoption benefits received in 1997 through 2001. On the dotted line next to line 18, enter "PYAB" and the amount of benefits received in 1997, 1998, 1999, and 2000. Then, use the worksheet on this page to figure the amount of any prior year benefits you may exclude and the amount, if any, to enter on line 27.

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

1. Is the amount on your 2001 Form 8839, line 26, less than the amount on line 19?
 No. Go to line 4.
 Yes. Subtract line 26 from line 19 **1.** _____
2. Enter the total **1997 through 2000** employer-provided adoption benefits included on line 18 for all children **2.** _____
3. **Taxable benefits.** Subtract line 2 from line 1. Enter the result, but not less than zero, here and on Form 8839, line 27. Also, include this amount, if more than zero, on line 7 of Form 1040 or 1040A. On the line next to line 7, enter "AB" **3.** _____
4. Enter the amount from Form 8839, line 26 **4.** _____
5. Enter the total **2001** employer-provided adoption benefits included on line 18 for all children **5.** _____

Note: If line 5 is equal to or more than line 4, **stop**; you **cannot** exclude any of your prior year benefits.
6. **Prior year excluded benefits.** Subtract line 5 from line 4 **6.** _____

Next. Figure the total you would enter on line 7 of Form 1040 or 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 1040A. On the line next to line 7, enter "PYAB" 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 14 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 15 through 18 and 20 for each child. But fill in lines 19 and 21 through 27 on only one Form 8839. The amount on line 19 of that Form 8839 should be the combined total of the amounts on line 18 of all the Forms 8839. The amount on line 21 of that form should be the combined total of the amounts on line 20.

Line 2

Enter \$5,000 (\$6,000 for 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

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

No. Enter zero on line 3.

Yes. If you filed a **1998, 1999, or 2000** 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 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 20

Line 13

If you completed the **Credit Carryforward Worksheet** in your **2000** Form 8839 instructions, enter the total of the amounts from lines 13 and 14 of that worksheet.

Line 14

To find out if your credit is limited, complete the **Credit Limit Worksheet** below.

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

Before you begin: If you are filing Form 1040 and are claiming the mortgage interest credit (see the instructions for Form 1040, line 50), complete **Form 8396**.

1. **Form 1040 filers**, enter the amount from Form 1040, line 42, minus the total of any amounts on lines 43 through 48, and any mortgage interest credit from Form 8396, line 11. **Form 1040A filers**, enter the amount from Form 1040A, line 26, minus the total of any amounts on lines 27 through 31 **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 49, or Form 1040A, line 32. If line 1 is the smaller amount, replace the amount on Form 8839, line 14, with that new amount **3.** _____

Credit Carryforward to 2002

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 that follows to figure the amount of your credit carryforward. If you have any unused credit to carry forward to 2002, be sure you keep the worksheet. You will need it to figure your credit for 2002.

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 **2000** Form 8839 instructions?
 No. Enter the amount from line 1 above on line 6. Leave lines 2 through 5 blank.
 Yes. Have that worksheet handy and go to line 2.
2. Enter any credit carryforward from 1997 (line 8 of your 2000 worksheet) **2.** _____
3. Enter any credit carryforward from 1998 (line 10 of your 2000 worksheet) **3.** _____
4. Enter any credit carryforward from 1999 (line 12 of your 2000 worksheet) **4.** _____
5. Enter any credit carryforward from 2000 (line 14 of your 2000 worksheet) **5.** _____
6. Add lines 1 through 5 **6.** _____
7. Enter the new amount from Form 8839, line 14 **7.** _____
8. Subtract line 7 from line 6 **8.** _____
 Did you enter an amount on line 2, 3, 4, or 5 above?
 No. Stop; enter the amount from line 8 on lines 17 and 18; leave lines 9 through 16 blank.
 Yes. Go to line 9.
9. **1997 credit carryforward to 2002.** Subtract line 7 from line 2. If zero or less, enter -0- **9.** _____
10. Subtract line 2 from line 7. If zero or less, enter -0- **10.** _____
11. **1998 credit carryforward to 2002.** Subtract line 10 from line 3. If zero or less, enter -0- **11.** _____
12. Subtract line 3 from line 10. If zero or less, enter -0- **12.** _____
13. **1999 credit carryforward to 2002.** Subtract line 12 from line 4. If zero or less, enter -0- **13.** _____
14. Subtract line 4 from line 12. If zero or less, enter -0- **14.** _____
15. **2000 credit carryforward to 2002.** Subtract line 14 from line 5. If zero or less, enter -0- **15.** _____
16. Add lines 9, 11, 13, and 15 **16.** _____
17. **2001 credit carryforward to 2002.** Subtract line 16 from line 8. If zero or less, enter -0- **17.** _____
18. **Total credit carryforward to 2002.** Add lines 16 and 17 **18.** _____

Line 15

Enter \$5,000 (\$6,000 for 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 16

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

No. Enter zero on line 16.

Yes. Use the following chart to find the amount to enter on line 16.

IF the last year you received benefits for was...	THEN enter on line 16 the total of the amounts from...
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



*If the 1997, 1998, 1999, or 2000 benefits were received in connection with the adoption of a foreign child and the adoption was final in 2001, see **Exclusion of prior year benefits** on page 2.*

Line 22

Follow these steps before you fill in the line 22 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 19.						
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 2001 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" style="width: 100%; margin-top: 5px;"> <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 14b, and 16</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 14b, and 16
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 14b, and 16						

Modified AGI Worksheet—Line 22 (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 19 **1.** _____
2. Enter the amount from Form 8839, line 19 **2.** _____
3. **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, 10, 11b, 12b, 13, and 14b. Enter the total **3.** _____
4. Add lines 1, 2, and 3 **4.** _____
5. **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 16 **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 22.

- 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 22, the amount from line 6 above.



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**, 45 min.; **Learning about the law or the form**, 17 min.; **Preparing the form**, 1 hr., 49 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.

