

Tax Tip
April 4, 2011

Adoption Expenses

There is tax assistance available to individuals who decide to adopt a child. The non-refundable credit for adoption expenses is the lesser of \$10,000 or the actual expenses incurred. Examples of qualifying adoption expenses include:

- legal, court and administrative costs paid to complete the adoption
- fees paid to licensed adoption agencies
- payments to foreign governments or institutions that are necessary to arrange a foreign adoption
- travel expenses incurred by the parents during the adoption process

Eligible Adoption – In order to qualify for the adoption credit, the eligible child must be under the age of 18 at the time the adoption order is issued.

Adoption Period – All eligible expenses must be incurred during the adoption period, which starts at the earliest of the following dates:

- 1) at the point in time an adoption file is opened with the provincial ministry; or
- 2) the date an application is made to a Canadian court

The adoption period ends on the later of the following dates:

- 1) the date when the adoption order is issued or recognized by a Canadian government;
or
- 2) the date the child permanently resides with the adoptive parents.

Although this definition of an adoptive period may appear reasonable, it may cause an issue related to foreign travel. If the parents incur travel expenses prior to opening an adoption file with the provincial ministry, these expenses would not qualify for the credit. In order to maximize the credit, parents looking to adopt should work with their provincial adoption agencies to ensure a file has been opened prior to incurring any expenses.

Allocating the Adoption Tax Credit – The couple making the adoption qualifies for a maximum credit \$10,000. They can decide which spouse gets the credit or they can split the credit in a manner they choose.

