

Adoption benefits fact sheet

What are adoption benefits?

- Voluntary, employer-funded policies for employees who adopt
- Financial reimbursement for adoption expenses; employers offer \$500 to \$35,000 per adoption; the average policy offers a maximum \$9,000
- Paid leave; employers offer one to 20 weeks; the average policy offers six weeks
- Unpaid leave in addition to FMLA ranging from one week to one year (The Family Medical Leave Act requires companies with 50 employees or more, and all public agencies, to grant 12 weeks of unpaid adoption leave.)

Why do organizations offer adoption benefits?

- It is a low cost benefit generally used by less than one half of one percent of eligible employees each year
- To increase employee loyalty, retention, goodwill and productivity
- For a competitive edge in recruiting new employees
- To recognize the need to support both adoptive and biological parents
- To give employees time to bond with their adopted children
- To make adoption more affordable
- To help move children from foster care to loving, permanent adoptive homes
- It's the right thing to do

What expenses are covered by financial reimbursement?

Most employers use the IRS definition of “reasonable and necessary expenses directly related to the adoption of a child,” and include agency and application fees, home study costs, attorney fees, court costs, transportation, lodging and immigration. Some employers also include post-adoption services and counseling.

Are more companies offering benefits? Yes.

According to Aon Hewitt's 2015 survey of 1,000 US companies, only 12% offered a financial adoption benefit in 1990. By 2015, that number rose to 56%.

What tax laws apply to adoption benefits?

- **Employers** should refer to the current IRS publication 15-B, *Employer's Tax Guide to Fringe Benefits*, which states financial adoption assistance is not subject to federal income tax withholding, but is subject to social security, Medicare and federal unemployment taxation and should be reported in box 12 of the employee's W-2 using code “T” to identify the amount.
- **Employees** should refer to the current IRS Topic 607, *Adoption Credit and Adoption Assistance Programs*, regarding income exclusions and tax credits for qualified adoption expenses. Consult your personal tax advisor for details.

What else can employers do to support adoptive parents?

- Include adoption in your employee assistance program
- Connect employees with adoption networks or support groups
- Educate employees about adoption with workshops or lending libraries
- Understand that the employee may need a flexible work schedule to address post-adoption challenges
- Celebrate when employees adopt

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Summary of adoption benefit tax regulations

This information is provided for informational purposes only and is not intended to replace the counsel of a professional tax advisor. For more information from the Internal Revenue Service, see Topic 607: Adoption Credit and Publication 15-B: Employer's Tax Guide to Fringe Benefits at [irs.gov](https://www.irs.gov).

Internal Revenue Service overview:

An adoption assistance program is a formal, written plan maintained by an employer for the benefit of its employees. It is a voluntary program not mandated by law. The employer determines:

- Whether the adoption assistance policy will apply only to employees who finalize the adoption, or also to those with unsuccessful adoption efforts.
- The amount of financial assistance and/or paid leave.
- Employee eligibility requirements.

An adoption assistance program must meet the following four requirements:

- Must benefit all eligible employees, not just “highly compensated.”
- Must not pay more than five percent of its benefits to shareholders or owners (or their spouses or dependents).
- Employer must give reasonable notice of the plan to eligible employees.
- Employees must provide reasonable substantiation that payments or reimbursements are for qualifying expenses.

An adoption assistance program may be part of a cafeteria plan and may also include programs that reimburse members of the Armed forces and Coast Guard for adoption expenses. For more information, see IRS Publication 3 *Armed Forces Tax Guide*.

About adoption leave:

The employer may choose to offer paid leave as part of their adoption benefits policy. The IRS does not offer any specific guidelines for paid leave.

The United States [Family and Medical Leave Act \(FMLA\)](https://www.dhs.gov/fmla) provides certain employees with up to 12 weeks of unpaid, job-protected leave per year. It also requires that their group health benefits be maintained during the leave. FMLA applies to all public agencies, all public and private elementary and secondary schools, and companies with 50 or more employees. These

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employers must provide an eligible employee with up to 12 weeks of unpaid leave each year for the placement with the employee of a child for adoption or foster care.

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About financial reimbursement:

An adoption assistance program allows eligible employees to exclude from taxable income expenses paid or reimbursed by their employers on their behalf for qualifying adoption expenses. Provided all requirements are met, an individual may take advantage of both the adoption credit and the income exclusion; however, the maximum dollar limit cannot be exceeded. The employee may take both the adoption credit and exclusion for the same adoption but not for the same expenses. Employee can claim the adoption tax credit for expenses that have not been reimbursed by the employer. The maximum amount of employer-provided adoption assistance that may be excluded from the employee's income changes every year. The income exclusion begins to phase out for taxpayers with incomes in excess of a specified amount that also changes every year. *Employees are encouraged to use a tax professional when they adopt.*

For both the credit and the exclusion, qualified adoption expenses include:

- Reasonable and necessary adoption fees,
- Court costs and attorney fees,
- Traveling expenses (including amounts spent for meals and lodging while away from home), and
- Other expenses that are directly related to and for the principal purpose of the legal adoption of an eligible child.

An eligible child is an individual who is under the age of 18, or is physically or mentally incapable of self-care.

Qualified adoption expenses **do not include** expenses that a taxpayer pays to adopt the child of the taxpayer's spouse.

Qualified adoption expenses include expenses incurred by a registered domestic partner who lives in a state that allows same-sex second parent or co-parent to adopt his or her partner's child, adoption expenses and that otherwise qualify for the credit.

Benefits paid under an adoption assistance program are not subject to income tax withholding, however, they are subject to social security, Medicare and federal unemployment taxes. Employers should report financial reimbursement for adoption in the employee's W-2 in box 12 with code "T."

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Summary of adoption benefit tax regulations

Qualified adoption expenses paid by an employer under an adoption assistance program are fully deductible to the employer as reasonable and necessary business expenses. There is no special tax incentive for employer.

Frequently asked questions about adoption benefits

Note: Items in red should be replaced by your own text, specific to your company's decisions regarding adoption benefits in the workplace.

What employees want to know

The following are questions employees may ask about your adoption benefits policy. Most are company specific; the responses have been taken from a variety of employers' policies, with recommended answers that can be modified to meet your needs. The questions can be used as a method of developing policy and as a communications tool in newsletters or benefits handbooks.

Who is eligible for adoption benefits?

Many employers maintain the same eligibility requirements for adoption benefits as they do for maternity or other company benefits. Most often, both full and part-time employees are eligible and the effective date ranges from immediately upon hire to one year of service.

What types of adoptions are covered?

Most adoptions are covered, with the possible exception of stepparent adoptions. Kinship/relative adoptions are becoming more widely recognized by employers.

What expenses are covered?

Most employers reimburse for the following, up to a maximum amount:

- Adoption agency fees
- Legal fees and court costs
- Medical expenses for a child not covered by insurance
- Medical expenses of the birthmother
- Temporary foster care expenses
- Travel and lodging expenses
- Immigration and naturalization fees
- Immunization and translation fees

What is the level of reimbursement?

This varies among employers; the range is from \$5,000 to \$20,000 per adoption. Some employers have a slightly higher reimbursement for employees who adopt children with special needs.

When may I request reimbursement?

Because the adoption process can take so long to complete, companies should consider stages of reimbursement before the child is actually placed in the home—minimizing the up-front out-of-pocket burden for employees. For example, a \$5,000 total reimbursement package might be broken up as follows:

- Up to \$1,000 reimbursement once the adoption application is completed and filed with an agency;
- Up to \$1,000 reimbursement when the home study stage is completed; and
- Up to \$3,000 reimbursement once the child is placed in the home.

Some companies allow employees to apply for reimbursement only when the child is placed in their home. It often takes at least six months from the time of placement for an adoption to be finalized, and most expenses are incurred prior to finalization.

I just adopted last year, or I am in the process of adoption right now. Can I take advantage of this new program retroactively?

This is a decision each employer will have to make individually. We recommend allowing those in the process of adoption to participate fully, and those who completed an adoption in the past 12 months apply for some type of limited reimbursement.

What procedure should I follow to obtain reimbursement?

You will need to complete your employer's adoption reimbursement form that may be available from Human Resources. Documentation of expenses related to placement will be required.

Is adoption reimbursement taxable income?

Adoption reimbursements, in many cases, are not subject to federal income tax. Further information and forms are available from the IRS at 1-800-TAX-FORM.

Will adoptions of stepchildren be reimbursed?

This decision will need to be made by the individual employer. Some will differentiate between adoption of relatives or adoption when one parent is a biological parent. Many will allow reimbursement for all adoptions.

How much leave time can I take for adoption?

Many employers evaluate this according to an established maternity leave policy. Some examples of the alternatives chosen are:

- **Paid and unpaid leave for primary caregivers**

An employee, who is the primary caregiver, is eligible for up to **(range is 2 to 6 weeks)** weeks of paid leave. This time may be utilized both pre or post adoption, and will be applied to leave allowed under the Family Medical Leave Act (FMLA). During Family Medical Leave, employees will continue to receive regular benefits which are related to date of hire.

Sometimes employees allow additional unpaid time off in addition to the 12-week FMLA requirement. During this time, employees will continue to receive regular benefits, which are related to date of hire.

- **Paid leave for secondary caregivers**

An employee, who is the secondary caregiver, is eligible for up to **(range is 1 to 3 weeks)** weeks of paid leave. This time may be utilized both pre or post adoption and will be applied to leave allowed under the Family Medical Leave Act.

- **Procedures for leave of absence**

Employees are requested to provide their manager and human resources with as much preliminary information on need for time off as early as possible. This will prevent unplanned interruptions in departmental workflow while allowing employees to take necessary leave time.

What happens to my benefits while on leave?

According to the FMLA, benefits will be maintained for the 12-week leave period. Your company policy may require you to pay the employee portion of benefits premiums while you are out on leave. If you are out longer than the 12-week leave period, you will need to make arrangements with Human Resources for continuation of your benefits.

How long a leave can I take and still retain my current job?

Your job will be retained for a minimum of 12 weeks according to the FMLA. Further questions about leave time should be discussed with your manager or with your Human Resources department.

Are there any alternatives to returning immediately to my job full-time?

The amount of flexibility depends on your employer and/or your individual department. Some employers allow employees the ability to return on a part-time basis.

How do I coordinate my adoption with health insurance, dependent care accounts and other benefits?

At the time of placement, you may add your child to your medical, group life insurance and dependent care reimbursement accounts. This is known as a Qualifying Life Event (QLE). Any additions in your benefits plan must occur within 30 days of placement. You will need completed change forms and a copy of the placement agreement in order to enroll your child.

[Sample] Adoption benefits financial reimbursement form

Provided by [Dave Thomas Foundation for Adoption](#)

Employee information

Name	
Social Security number	
Home street address	
City, State, Zip	
Home/Mobile phone	
Work phone	
Email	

Eligible adoption expenses

Date paid	Amount	Description
TOTAL		

NOTE: Please attach receipts in U.S. dollars for all expenses listed above. Applicable taxes will be withheld from your reimbursement.

Employee request for reimbursement

I would like to apply for reimbursement of adoption expenses listed above, confirming that I am in the process of adopting _____ (child's name), whose birth date is _____. I certify that this is a claim for allowable expenses under the **[Company name's]** adoption reimbursement program.

Signature of employee

Date

[Sample] Adoption benefits news release

[Company] Implements New Benefits Policy to Become an Adoption-Friendly Workplace

[Company] will join the ranks of adoption-friendly employers across the United States with the establishment of a policy offering employer-provided adoption benefits.

[Insert quote from company executive, i.e.] “As a progressive company, we recognize that employees build their families in many ways. In order to support employees who are adoptive parents, we are pleased to announce that adoption benefits will be available to all full and part-time employees effective immediately. We believe this is a valuable addition to our work-life benefits package, and more importantly, it’s the right thing to do.”

[Company’s] new adoption benefits policy provides [\$x] financial reimbursement for expenses incurred for each child adopted, and offers [x] weeks of [paid] leave for parents to complete the adoption process and bond with their child.

“Adoption is an amazing, rewarding experience which can also be costly and time-intensive. Adoption benefits help to remove the barriers of affordability and time off work that many adoptive parents face,” says Rita Soronen, president and CEO of the Dave Thomas Foundation for Adoption. “By establishing an adoption benefits policy, [Company] is also making it easier for employees to consider adopting one of the more than 100,000 victims of child abuse and neglect waiting for a permanent, loving family in America’s foster care system.”

[Consider adding a paragraph quoting an employee in the process of adoption about how this will positively impact their work and family life.]

[End with the company’s standard mission and vision statement.]

For more information about [Company], please contact [Name, Title, Phone, e-mail]. For more information about adoption benefits, visit the Dave Thomas Foundation for Adoption at www.davethomasfoundation.org.

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Sample Adoption Benefits Policy

Provided by [Dave Thomas Foundation for Adoption](#)

Although policies differ from organization to organization, all adoption benefits policies have similar components. Adoption benefits are voluntary, and not required by law. They must apply equally to men and women. The components outlined below are a good starting point to building a policy that is right for any organization. Each offering is optional. This policy model can be tailored to meet your company's specific needs. Items in red should be replaced by your own text, specific to your company's decisions regarding adoption benefits in the workplace.

[Company Name] Adoption Benefits Policy

Effective [date]

Policy overview

To offer assistance to all employees who are building families, a policy has been developed to provide eligible employees with adoption benefits—including financial reimbursement and/or adoption leave.

Eligibility

Effective [date], all [specify full-time or full-time and part-time] employees are eligible for adoption benefits [specify immediately upon hire or after given length employment]. If an employee and his/her spouse both work at [name of organization], only one employee can utilize the financial benefit, but leave may be shared between the two parents [or a variation of your choice]. The employee must be actively or *inactively* employed at the time any financial reimbursement is made.

Adopted children, to be considered for this benefit, must be under the age of eighteen. They may be a relative of the employee but not a stepchild [because when grandparents, aunts and uncles adopt, it is usually the result of an emergency; while stepchildren are generally still in the care of a biological parent].

Financial reimbursement

Eligible adoption-related expenses will be reimbursed to a maximum of [specify amount – most policies range from \$500 to \$25,000 – the average is \$7,000] per adopted child.

Most expenses directly related to the adoption are reimbursable. These include:

- Application fees
- Home studies
- Agency and placement fees
- Legal fees and court costs
- Immigration, immunization and translation fees
- Transportation, meals and lodging
- Parent, child and family adoption counseling

Timing and procedure for reimbursement

Upon placement of the adopted child, obtain an *Adoption Financial Reimbursement Form* from the human resources department. Itemized receipts for expenses must accompany the form. Employees should refer to Internal Revenue Service instructions entitled *Qualified Adoption Expenses* regarding taxation of financial benefits, tax credits and tax exclusions.

Reimbursements will be made [choose either as expenses are incurred or after the adoption is finalized with a copy of the adoption decree. NOTE: employers are encouraged to consider reimbursing during the process and regardless of the outcome.]

Adoption leave of absence

Employers are encouraged to be flexible in the timing of adoption leave. Employees who are adopting from U.S. foster care may be addressing needs of children who suffered the trauma of child abuse, neglect or abandonment, were separated from siblings, and were moved abruptly while in foster care. Allowing leave at the time the child moves into the home for the “pre-adoptive placement” is especially critical.

- **Paid leave**

An employee who adopts, whether male or female, is eligible for up to [specify time – most policies range from one to 18 weeks – the average is 6 weeks] of [fully or partially] paid leave. This time may be utilized both pre- or post-adoption [or specify other timing], and will be applied to leave allowed under the Family Medical Leave Act [if FMLA is applicable to your organization].

- **Unpaid leave**

Additionally, the employee is eligible for up to [specify time – most policies range from one week to one year] additional weeks of unpaid leave.

- **Procedures for leave of absence**

Employees shall request time off from their manager as early as possible. Though many adoptions are unpredictable as to when they occur, in many cases this will prevent unplanned interruptions in departmental workflow while allowing employees to take necessary leave time.

Effective

This policy is effective [date] and is subject to change.

Sample adoption benefits proposal

Provided by [Dave Thomas Foundation for Adoption](#)

Making [Company] an Adoption-Friendly Workplace

Proposal to add adoption benefits to [Company's] work-life package

Introduction

Recognizing the needs of adoptive parents, and for equity among all employees forming families, many employers establish adoption benefits. These include financial reimbursement and/or paid leave. Some companies also include unpaid leave beyond that required by the Family Medical Leave Act.

There are many compelling reasons for employers to offer adoption benefits:

- It is a low cost benefit generally used by less than one percent of eligible employees
- To increase employee loyalty, retention, goodwill and productivity
- For a competitive edge in recruiting new employees
- To enhance your company's family-friendly image
- To recognize the need to support both adoptive and biological parents
- To give employees time to bond with their children
- To make adoption more affordable
- To help move children from foster care to loving, permanent adoptive homes
- It's the right thing to do

Request for adding adoption benefits

I am requesting that [Company] establish an adoption benefits policy starting [date]. I suggest that we use the outline below as a guide and consider the following:

Financial reimbursement for adoptive parents

Eligible adoption-related expenses will be reimbursed to a maximum of [\$x] (average policy offers \$7,000, but policies range from \$500–\$25,000) per child (or per adoption). Expenses directly related to the adoption are reimbursable, including but not limited to:

- Application fees
- Home studies
- Agency and placement fees
- Legal fees and court costs
- Immigration, immunization and translation fees
- Transportation, meals and lodging

Timing

Because the adoption process can take a substantial period of time to complete and is sometimes unsuccessful, [Company] should consider reimbursing employees as costs are incurred, and regardless of the outcome.

Utilization rates

Please note for budgeting purposes that less than one percent of eligible employees generally use the benefit in any given year.

Adoption leave of absence

Recognizing that adoption is a time-intensive process, and that the parent will need time to bond with the child, [Company] could offer both paid and unpaid leave.

Paid leave

An employee who adopts, whether male or female, would be eligible for up to [x weeks] (average is 6 weeks, but policies range from one to 18 weeks) weeks of paid leave. This time may be utilized both pre- or post-adoption, and will be applied to leave allowed under the Family Medical Leave Act.

Unpaid leave

Additionally, the employee would be eligible for up to [x weeks] (policies range from one week to one year) additional weeks of unpaid leave. During this time, employees will continue to receive regular benefits, which are related to date of hire.

Other companies offering adoption benefits

NOTE: Visit www.davethomasfoundation.org to see the annual 100 Best Adoption-Friendly Workplaces list and request competitive benchmarks.

In order for [Company] to keep pace with its competitors, we must maintain a competitive benefits package that is on par with industry standards. Attached is a list of other employers of comparable size, state and industry who offer adoption benefits. In an annual survey of 1,500 major United States employers conducted by Aon Hewitt, companies offering financial adoption benefits rose from 12 percent in 1990 to 48 percent in 2015.

Resource materials

The Dave Thomas Foundation for Adoption offers free resources on its web site, including frequently-asked questions, applicable tax laws, a sample policy, a sample reimbursement form and a sample news release. We can also apply for the Foundation's annual *100 Best Adoption-Friendly Workplaces List* after establishing benefits.

Thank you for your consideration.

[Add your contact information.]