



ADOPTION ASSISTANCE PROGRAM INFORMATION

WHAT REIMBURSEMENTS ARE AVAILABLE UNDER THE ADOPTION EXPENSE REIMBURSEMENT PLAN?

The Adoption Expense Reimbursement Plan provides reimbursement to you for the reasonable and necessary expenses that you incur in the process of legally adopting an eligible child. These reasonable and necessary expenses may include adoption fees, court costs and attorney fees. Expenses that are not eligible for reimbursement include expenses incurred in violation of state or federal law, expenses incurred in carryout of a surrogate parenting arrangement, and expenses in connection with the adoption of a stepchild. An "eligible child" is a child who has not yet reached age 18 or is physically or mentally incapable of caring for himself or herself. The maximum amount of reimbursement that you may receive in connection with the adoption of any one child is 12,150*. **This is a total rather than an annual amount, even if the expenses occur over a period of years.**

** Limits subject to change without notice based on IRS mandates. Limit of \$12,150 is based on 2009 IRS limits.*

WHAT ARE THE TAX BENEFITS OF REIMBURSEMENT UNDER THE ADOPTION ASSISTANCE PLAN?

If your adjusted gross income (together with that of your spouse if you are married and filing a joint tax return) is \$182,180 or less, you can exclude from your gross income in computing your income tax liability the entire amount of adoption expense reimbursement you receive under this Plan (subject to the \$12,150 cap). However, if your adjusted gross income exceeds \$182,180, the portion of the adoption expense reimbursement that may be excluded is reduced from \$12,150 based on the following formula:

$$\$12,150 \times [(adjusted\ gross\ income - \$182,180) / \$40,000]$$

If for example, your adjusted gross income were \$192,180, and you incurred \$12,150 or more in expenses to adopt a child, your maximum exclusion would be \$3,037.50, calculated as follows:

$$\$12,150 \times (\$10,000 / \$40,000), \text{ or } \$12,150 \times .25 = \$3,037.50$$

\$12,150 total expenses - \$9,112.50 pre-tax reduction = \$3,037.50 of expenses that may be reimbursed pre-tax.

If your adjusted gross income exceeds \$222,180 you cannot participate in the Adoption Assistance Program.

Generally, any amounts paid to reimburse you for eligible adoption expenses would be excluded from your income for the year of the reimbursement. However, should you adopt a child who is not a citizen or resident of the United States, all amounts reimbursed to you would be excludable from your income only in the year in which the adoption becomes final.

While the amount of your salary that is withheld to pay adoption expenses is excluded from your income in determining your income tax liability, FICA (Social Security) and FUTA (unemployment) taxes still apply.

WHAT EFFECT WILL PARTICIPATION IN THE ADOPTION EXPENSE REIMBURSEMENT PLAN HAVE ON MY RIGHT TO THE ADOPTION EXPENSE CREDIT ON MY TAX RETURN?

The federal tax law also provides a tax credit (reducing federal tax liability) for adoption expenses that are not reimbursed by an employer or paid under a state or federal grant program. You may claim both credit and reimbursement exclusion in connection with the same adoption, provided they are not claimed with respect to the same expense. Because any election for benefits under the Adoption Expense Reimbursement Plan should be coordinated with the use of the credit, the Administrator strongly recommends that you seek advice from your own tax advisor before electing benefits under the Adoption Expense Reimbursement Plan.