

Adoption Assistance Program

Now you can save money adopting that special child

What is an Adoption Assistance Program?

A benefit provided by your employer that lets you set aside a predetermined amount (contribution) of your paycheck into an account before paying federal and state income taxes. Then, as you incur qualified adoption expenses, you can be directly reimbursed from your account. If your adjusted gross income (together with that of your Spouse if you are married and filing a joint tax return) is \$194,580 (this \$194,580 will be adjusted for inflation in years after 2013) 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 \$12,970 cap). However, if your adjusted gross income exceeds \$194,580 the portion of adoption expense reimbursement that may be excluded is reduced from \$12,970 based on the following formula:

- **Allowable exclusion:** $\$12,970 - [(\text{adjusted gross income} - \$194,580) / \$40,000] \times \$12,970$
If, for example, your adjusted gross income was \$204,580, and you incurred \$12,970 or more in expenses to adopt a child, your maximum exclusion would be \$9,727.50,
- **Calculated as follows:**
 $\$12,970 - (\$10,000 / \$40,000 \times \$12,970) = \$12,970 - \$3,242.50 = \$9,727.50$
 $\$12,970 \text{ total expenses minus } \$3,242.50 \text{ pre-tax reduction} = \$9,727.50 \text{ reimbursement available.}$

When and how can I enroll in the Plan?

Commencement or termination of an adoption proceeding is a qualifying event under IRS Flex Benefit Plans. Therefore, you can enroll in the plan within 30 days of when the adoption proceedings have commenced, or at the beginning of any given Plan Year. Simply complete an election form; available through your Employer; return the signed form, and your contributions will be taken from your paycheck on a pre-tax basis.

What expenses qualify for reimbursement?

Qualifying adoption expenses are reasonable and necessary adoption fees, court costs, attorneys fees, traveling expenses (including amounts spent for meals and lodging) while away from home, and other expenses directly related to, and whose principal purpose is for, the legal adoption of an eligible child. Expenses are eligible regardless of the outcome of the adoption.

What expenses *do not* qualify for reimbursement?

Qualifying adoption expenses *do not* include expenses:

- You incur while not under this Plan,
- That violate state or federal law,
- For carrying out any surrogate parenting arrangement,
- For the adoption of your spouse's child,
- Paid using funds received from any federal, state or local program, or
- Allowed as a credit or deduction under any other federal income tax rule.

How do I submit for reimbursement of qualified expenses under this Plan?

Once you have returned your completed election form, you will receive a Participant Packet, which includes an Adoption Assistance Claim Voucher. Simply complete the Voucher, attach copies of the requested documents, and return to Allegiance within the specified time listed in your SPD.

Do I have to wait for my contributions to be deposited into my account in order to make a claim for reimbursement?

Yes. The amount available to you for reimbursement is the amount you have contributed to date.

What happens to my contributions if I do not incur enough qualified expenses, or neglect to file a claim in the time specified in my SPD?

Should you not incur enough qualified expenses within the Plan Year, or neglect to file a claim, you will forfeit any amount contributed to your Adoption Assistance Account. Also, any Adoption Assistance reimbursements that are unclaimed (for example, uncashed checks) by the close of the Plan Year will be forfeited to the Plan. For this reason, please be conservative when estimating your adoption expenses.

Where can I find more information regarding the Adoption Assistance Program?

Contact us directly at 877-778-8600 for more information regarding the Adoption Assistance Program.