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 $25,000 per adoption; the average policy offers a maximum $7,000
- Paid leave; employers offer one to 18 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 1 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.
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.

**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