



Adoption Assistance FSA Plan

This plan allows you to pay for qualified adoption expenses incurred in the course of an adoption of an eligible child with pre-tax dollars. For 2007, the maximum election is \$11,390 for each eligible child indexed annually for inflation.

Who is an Eligible Child?

- Under 18
- Physically or mentally incapable of caring for themselves
- A child with Special Needs

Qualified Adoption Expenses

- Reasonable and necessary adoption fees
- Court Costs
- Attorney fees

Not Allowed

- Money towards adoption of the child of the participants spouse
- Expenses reimbursed under any other employer program or by any tax credit
- Expenses paid using funds received from any federal, state or local program

Income Requirements

The exclusion will begin to be phased out for individuals with modified adjusted gross income greater than \$170,820 and will be entirely phased out for individuals with modified adjusted income of \$210,410 or more.

Special Needs Adoption

- A child who is a citizen or resident of the U.S.
- And who cannot, or should not be returned to the parents
- Specific factors for conditions make it reasonable to believe that placement for adoption will not occur without adoption assistance
- The expense of a special-needs adoption are treated as having been paid in the year the adoption becomes final

Foreign Adoption

For the adoption of a child who is not a US citizen or resident, no credit can be taken unless the adoption becomes final. Prior years qualified expenses are taken into account for purposes of the credit in the year in which the adoption becomes final. Expenses paid in that year and subsequent years are taken into account in the year in which they are paid.

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Domestic Adoption

For the adoption of a child who is a US citizen or resident. If a qualified expense is paid or incurred before the year in which the adoption becomes final, the credit is allowed for the following tax year. If a qualified expense paid or incurred during or after the year in which the adoption becomes final, the credit is allowed for the tax year in which the expense was paid. For a domestic adoption, credit can be claimed even if the adoption never becomes final.

Deadline

Subject to IRS guidelines, this plan does not allow for fund rollover. All money expires at the end of the plan year

This plan cannot be put in place to favor highly compensated employees and is subject to cafeteria plans discrimination testing.