

Managing Adoption Assistance Benefits

Overview

Among family-friendly benefits, adoption benefits are particularly inexpensive because few employees ever use them, but these benefits also offer employers a chance to build reputations for being considerate to employees and the community.

Adoption is a legal and social transfer in which adults gain legal guardianship of a child and become the child's parents in the eyes of the law. Roughly two million couples of childbearing age, and one million single people, are interested in adopting children. Infertility or a desire to protect children in need of adult care are chief reasons given by adults for their interest in adopting a child.

EMPLOYERS AND ADOPTION

About 135,000 children are adopted each year in the United States. To create a family-friendly environment and maintain a competitive package of benefits, employers can offer some assistance with the adoption process to their employees. Adoption benefits typically include some combination of financial assistance, information and referral services, and paid or unpaid leave.

Employers that offer adoption benefits have discovered that the employee goodwill derived from offering this benefit is significant. Even though the benefit is typically used by few employees, when employees are aware of a co-worker using the adoption benefit, they view the employer as supportive of adoptive families. This view helps create a positive perception of the company among both users and nonusers of the benefit. See *Family-Forming Benefits Serve a Diverse Workforce* (www.shrm.org/resourcesandtools/hr-topics/benefits/pages/family-forming-benefits-serve-a-diverse-workforce.aspx).

TYPES OF ADOPTION

There are several types of adoption, and employers considering offering adoption benefits should learn the differences among them:

- **Domestic adoption.** Domestic adoption is the adoption of children who reside in the United States. These adoptions are arranged through the public child welfare system, private adoption agencies or independent arrangements. In private agency adoptions, children are placed through a nonprofit or for-profit agency licensed by the state. In an independent adoption, children are placed directly with adoptive parents by birth parents or with the help of a facilitator or attorney.
- **Foster care adoption.** Foster care adoption is the adoption of children who are in the care of the state. These children cannot be reunified with their birth parents for safety or other reasons. This type of adoption is arranged by state child welfare agencies or by private agencies under contract with the state. Children may be adopted by their foster parents, relatives or adults with whom they have no prior relationship. Adoption from foster care has increased in response to a federal mandate that states take timely action to provide permanent homes for children in state care.
- **International adoption.** International adoption is the adoption of children from other countries by U.S. citizens. International adoptions are usually arranged through private adoption agencies and are finalized abroad or in the United States, depending

on the laws of the country where the child initially resides.

- **Transracial adoption.** This term refers to children who are placed with an adoptive family of another race or ethnicity. Although transracial adoption can take place in either domestic or international adoptions, it is frequently discussed as a separate category of adoption because of the unique cultural issues faced by the new families.

Adoption processes and requirements vary, depending on state laws and the procedures of different public or private adoption agencies.

COSTS OF ADOPTION

Adopting a child from foster care may cost about \$2,500, domestic private adoptions can cost more than \$40,000, and international adoptions can cost up to \$50,000. See *Planning for Adoption: Knowing the Costs and Resources* (<https://www.childwelfare.gov/pubs/s-cost/>).

Costs may include public or private agency fees, court costs, legal fees and counseling fees. Additional foreign adoption costs may include agency and home study fees, translation services, travel and lodging, immunizations, and immigration fees.

These estimated expenses do not take into account the possibility of lost wages. The employee may lose pay if he or she needs to take time off to complete the adoption or to stay home with the child immediately after the adoption.

Business Case

Adoption benefits are low cost and high impact. The chief reasons employers offer adoption benefits are discussed in the following sections.

CONSISTENCY

Most employers would never think about doing away with maternity benefits; pregnancy must be treated like any other medical disability. Adoptive parents are not disabled by pregnancy, yet the impact on the employee's work and family situation is the same as with a birth. Many organizations in the United States are trying to parallel maternity benefits by steadily increasing the adoption reimbursement.

LOW COST

Few employees actually use adoption benefits, which keeps employers' costs for the benefits low. According to the Dave Thomas Foundation for Adoption, less than 1 percent of employees use their available adoption benefits in a given year.

HIGH GOODWILL

Adoption benefits, like most work and family benefits, promote goodwill between employers and employees because the employer is seen as being sensitive to employees' needs. Workers who use adoption benefits often feel greater loyalty to their employers. Employees who have no intention of using the benefits themselves still view their employers positively for offering the benefit.

In addition, adoption benefits help employers distinguish their benefits packages from their competitors' packages. The Dave Thomas Foundation for Adoption recognizes the top 100 adoption-friendly workplaces annually by size and industry leadership, and it also highlights employers that support the cause of adoption and adoptive families. See *Adoption-Friendly Workplace* (<https://www.davethomasfoundation.org/our-programs/adoption-friendly-workplace/>).

SOCIAL BENEFIT

An organization's support for adoption provides a direct payback for children in need of parents and families who are willing to open their hearts and homes. Without corporate support, many potential parents would not be able to adopt because of the significant financial considerations. Employers can create an adoption-friendly culture to celebrate the families formed through adoption. In addition, employers can offer flexible time off and flexible work schedules, provide education about adoption, and offer post-adoption resources.

Common Adoption Assistance Benefits

An adoption benefits plan is an employer-sponsored program that financially assists or reimburses employees for expenses related to the adoption of a child and provides for paid or unpaid leave for the adoptive parent. Most organizations extend adoption benefits to regular employees who have worked for the organization for a specified amount of time. Other employers may require employees to be enrolled in a company insurance plan to be eligible for adoption assistance. The most common types of adoption assistance benefits include financial assistance, paid and unpaid leave, and information and referral services. See *Adoption benefits fact sheet* (<https://www.davethomasfoundation.org/wp-content/uploads/2018/02/AFW-DigitalToolkit.pdf>).

FINANCIAL ASSISTANCE

The core of most employer-sponsored adoption benefits is financial assistance. Although the particular amount of coverage extended to employees varies, the goal is to reimburse employees for certain expected adoption-related expenses such as adoption agency fees, foreign adoption fees, legal fees, maternity fees for the birth mother, placement fees, and travel expenses directly related to the adoption. Expenses related to using a surrogate mother or adopting a spouse's child are sometimes covered by employer programs. Employers sometimes offer additional financial assistance if the adopted child has special needs.

Most employers cap the dollar amount regardless of actual expenses. If an employee adopts more than one child, some employers pay only one adoption benefit amount, and others pay an amount per child. Organizations may also choose to offer financial assistance for adoption-related legal expenses by including adoption in employer-sponsored legal plans for employees. Benefits are most commonly paid after the adoption is finalized; however, some organizations provide reimbursement earlier given that there is often a need for a child to live in the home before the adoption is final. Information about tax issues is provided later in this article. See *Adoption Credit and Adoption Assistance Programs* (<https://www.irs.gov/taxtopics/tc607>) and *Family-Building Benefits* (www.shrm.org/hr-today/news/all-things-work/pages/family-building-benefits.aspx).

PAID AND UNPAID LEAVE

Adoption leave is paid or unpaid time off from work following the adoption. This time off allows the parent to help the child bond and feel comfortable. Some employers offer a combination of financial help and leave. Many organizations offer adoption-related leave under their general employment leave or maternity/paternity leave policies. See *Support for New Parents Can Keep Employees On Board* (www.shrm.org/resourcesandtools/hr-topics/benefits/pages/support-for-new-parents-can-keep-employees-onboard.aspx).

With the passage of the Family and Medical Leave Act of 1993 (FMLA), employers with 50 or more employees are mandated to provide eligible employees with a minimum of 12 weeks' unpaid leave in certain circumstances, including the placement of a child with the employee for adoption or foster care. A temporary federal tax credit is available to employers who offer paid FMLA of at least two weeks through 2025. See *Congress extends tax credit for paid family and medical leave* (<https://www.mercer.com/our-thinking/law-and-policy-group/congress-extends-tax-credit-for-paid-family-and-medical-leave.html>).

Many organizations offer employees the opportunity to take either paid or unpaid leave listed under a heading other than adoption. Paid leave may be considered authorized time off, discretionary time, annual or paid personal leave, annual leave, or all-purpose leave. The length of paid leave is often determined by the amount of leave time accrued by the employee, with a maximum set by the organization.

Unpaid adoption leave is often considered personal leave, child care leave, personal hardship leave or medical leave and may last from two weeks to one year; the median leave time is six months. Many organizations set no time limits but prefer to provide adoption leave on an individual basis, at the supervisor's discretion. An employee may also choose to use accrued vacation time when the child joins the family.

INFORMATION AND REFERRAL SERVICES

Employers in many industries increasingly turn to human resource consulting firms to provide employees with adoption information, support and referrals to licensed adoption agencies. Consulting firms can make an adoption specialist available by telephone to answer questions about navigating the adoption process, selecting an agency and managing special situations. See Adoption Assistance by State (<https://www.childwelfare.gov/topics/adoption/adopt-assistance/?CWIGFunctionsaction=adoptionByState:main.getAnswersByQuestion&questionID=7>).

Communication

No matter what level of adoption benefits employers provide, organizations should communicate the availability of the benefits. In addition to sending the message during employee orientation and the open enrollment period, some employers offer lunch seminars and information sessions on adoption, foster care and the options available to adoptive parents. See Adoption-Friendly Workplace Employer Toolkit (<https://www.davethomasfoundation.org/library/adoption-friendly-workplace-employer-toolkit-2/>).

Tax Issues

Any financial reimbursement, regardless of the amount, must be included in the employee's taxable income unless there is a tax exclusion. Employers that offer adoption assistance and employees who take advantage of it—or who claim the adoption tax credit—must be aware of changes in tax laws that affect adoption. See IRS: Adoption Credit and Adoption Assistance Programs (<https://www.irs.gov/taxtopics/tc607>).

The Patient Protection and Affordable Care Act (PPACA) increased the employer-provided adoption assistance exclusion and the adoption tax credit. The law increased both the federal tax credit and the exclusion for employer-provided adoption assistance in 2015 for all adoptions, including adoptions of children with special needs. Check legal contribution limitations annually for compliance.

Additional Resources

Adoption Assistance Request Form (www.shrm.org/ResourcesAndTools/tools-and-samples/hr-forms/Pages/cms_021278.aspx)

Adoption/Foster Care Placement FMLA Certification (www.shrm.org/ResourcesAndTools/tools-and-samples/hr-forms/Pages/adoptionfosterFMLAcertification.aspx)

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