

Fact sheet:

Adoption Assistance Program (AAP)

Q: What is an AAP account and how does it work?

A: An Adoption Assistance Program (AAP) account is an employer-sponsored spending account that allows both employer and employee contributions to pay for eligible adoption-related expenses. Employee contributions are pretax and deducted from the employee's paychecks to fund the AAP account. The employee decides how much to contribute for the year.

Year	Contribution limit
2022	\$14,890 per child

Q: Is there an income limit for the AAP account?

A: Yes, the IRS sets contribution limits based on an employee's Modified Adjusted Gross Income (MAGI). Limits are established by the IRS and subject to change annually.*

- If an employee's MAGI is \$256,660 or more, they are not eligible for an AAP.
- If an employee's MAGI is more than \$216,660 but less than \$256,660, they can contribute a portion of the \$14,890 limit per child in 2022.

**Consult with your financial advisor for more details.*

Q: What expenses are eligible?

A: Any out-of-pocket expenses related to the adoption of an eligible child (listed under section 23 of the Internal Revenue Code) qualify. Reimbursable expenses include, but are not limited to, adoption application and home study fees, legal fees and court costs, and reasonable travel and lodging expenses.

Q: How do employees get reimbursed for expenses?

A: The employee can complete the adoption assistance reimbursement claim form and send it, along with receipts and supporting documentation, to Further via mail, fax, or secure email. The employee can also submit a claim on the Further member portal, which will prompt them for the appropriate information and supporting documents.

Members can submit claims as the expenses occur. Foreign adoptions must be successful before expenses can be paid.

If an adoption is considered "special needs" -- defined by the IRS as a person, over the age of 18 that is unable to care for themselves, the employee will need to send supporting documentation from the State. After their claim is approved, the funds will be deposited into the employee's account based on the reimbursement method they selected.

Q: What happens if an employee has money left at the end of the plan year?

A: Because the AAP is offered under a cafeteria plan, the "use-it-or-lose-it" rule applies. The employee will forfeit any money left in their AAP account at the end of the year.

Q: Is a debit card available?

A: Because reimbursements require supporting documentation, a debit card is not available.

Q: What happens if an adoption doesn't go through?

A: For canceled adoptions, the employee can stop their payroll deductions to prevent any additional contributions. For domestic adoptions, the employee can also submit a reimbursement form for expenses already incurred but not yet claimed. (This does not apply for foreign adoptions, which must be successful before expenses can be paid.) After all eligible claims have been paid, any remaining funds in their account will be forfeited.

Q: If an employee receives adoption assistance, can they also take a tax credit on their tax return?

A: An employee may be eligible for both. The employee cannot take credit and receive adoption assistance for the same expense. Employees should consult with their financial advisor to determine what will work best for them.

Learn more.

Talk to a health care spending administration expert.

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