

## Frequently Asked Questions (FAQ)

### OVERVIEW

#### What is an Adoption Savings Account?

An Adoption Savings Account (ASA) is tax-advantage savings account intended to help cover the costs of adopting a child. Potential account owners can establish an ASA at any qualified financial institution. Financial institutions are not required to classify and track the funds saved within an ASA. Funds saved and expended for the qualified expenses associated with an adoption are reported to the Kansas Department of Revenue. Account owners are responsible for self-reporting the establishment of an ASA when filing their state income taxes. Because an ASA is self-reported by the account owner directly to the state, many financial institutions may not be prepared to provide information about the Adoption Savings Account Program. Enabling legislation has established the Office of the Kansas State Treasurer as an educational resource for ASAs. The Treasurer's office is available to help Kansans navigate the steps necessary to establish an ASA.

#### How can I use my Adoption Savings Account?

After the account has been open for one year, the money can be used to cover a variety of eligible expenses tied to the adoption process, even if the adoption doesn't end up being completed. Account holders also have the flexibility to transfer funds to another adoption savings account, invest them in certificates of deposit (CDs) that are labeled as adoption savings accounts, or use them to pay bank service fees connected to the account.

#### What are qualified expenses?

Account holders will be able to use these funds to cover legal fees related to the adoption, costs charged by adoption agencies, and any necessary expenses from court proceedings or placement hearings. In addition, the funds can cover medical costs for the birth mother during pregnancy and delivery, medical expenses for the child, and reasonable living expenses for the birth mother that result from or occur during the pregnancy.



### DEFINITIONS

#### Account Holder:

The individual who opens and manages the Adoption Savings Account with a qualified financial institution. They are responsible for naming a beneficiary and ensuring the account is used properly.

#### Designated Beneficiary:

The individual chosen by the account holder whose adoption-related expenses are intended to be paid from the account. This is usually the prospective adoptive parent.

#### Financial Institution:

A bank, trust company, savings and loan, or credit union that is authorized to operate in Kansas and insured by the FDIC or NCUA. These institutions are eligible to hold Adoption Savings Accounts.

[treasurer.ks.gov](https://treasurer.ks.gov)



# TERMS & CONDITIONS

## How many accounts can an individual have?

An individual can open and manage multiple accounts. They can also jointly own an account with another person, as long as both individuals file a joint tax return.

**Note:** By April 15 of the year after the account is opened, the account holder must officially name a designated beneficiary—typically the prospective adoptive parent.

While one person can be listed as the beneficiary on more than one account, this is only allowed if those accounts are owned by different people. A single account holder can't list the same beneficiary on multiple accounts they personally own, unless they're opening separate certificates of deposit (CDs). Additionally, someone can be both the account holder and the designated beneficiary of the same account.

## Can the designated beneficiary be changed following the establishment of an account?

Yes. The account holder can change the designated beneficiary at any time. However, each Adoption Savings Account can only have one designated beneficiary at a time. If a change is made, the new beneficiary fully replaces the previous one.

## Does the designated beneficiary have a survivorship interest in the account?

No. Naming someone as the designated beneficiary does not give them any legal ownership or survivorship rights to the account. If the account holder passes away, the account won't automatically transfer to the designated beneficiary. To ensure the funds go to a specific person, a payable-on-death (POD) beneficiary must be listed. If no POD is named, the account will be handled according to Kansas probate law.

## What are my responsibilities?

As an account holder, you're required to file all necessary forms with your Kansas state tax return each year, including any 1099 forms from your financial institution. You must also keep records of account activity and save receipts for qualified adoption-related expenses tied to your beneficiary.



## CONTRIBUTION LIMITS

### Annual Limits:

Each year, you can contribute up to \$6,000 to an Adoption Savings Account if you file taxes as an individual. If you're married and filing jointly, that limit increases to \$12,000 per year.

### Total Limits:

Over the lifetime of the account, individuals can contribute up to \$48,000 in total. For married couples filing jointly, that total increases to \$96,000. Additionally, no account can ever hold more than \$100,000 at one time, regardless of how it's funded.

### What Happens if I exceed a contribution limit:

If you contribute more than the allowed limits, any interest or income earned after that point will be subject to state income tax. This means you lose the tax-free growth benefit on the excess. If you stay within the limits, the money can remain in the account as long as needed with no taxes or penalties. There's no deadline to use the funds, giving families flexibility to save over time. **For more details on penalties or income recapture, scan the QR code or visit our website.**

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