



## Office Memorandum

**Date:** October 7, 2016  
**To:** Agency Payroll, HR, and Accounting Staff  
**From:** Mary Muellner, Director, Statewide Payroll Services  
Julie Sonier, Director, Employee Insurance Division  
**Subject:** Flexible Spending Account Debit Card & Unsubstantiated Pre-Tax Purchases

The following payroll transactions will take place in October and November for employees who have not substantiated expenses with 121 Benefits (formerly Eide Bailly):

- **For transactions against the MDEA, State or Minnesota State Colleges & Universities HRA that were not substantiated or repaid by the August deadline,** the unpaid amount will be treated as additional income. Employees will see an amount for their remaining balance of unsubstantiated 2012, 2013, 2014, and/or 2015 transactions, identified by the earn code DCO, on their paystubs. This amount will also be included as taxable income on their 2016 W-2 form.
- **For employees who are no longer on the payroll,** a transaction may be processed using the earn code EPF in addition to the DCO transaction. EPF is a paid earn code, which has the employer pay the required employee portion of FICA/Medicare. This amount will also be included as taxable income on the employee's 2016 W-2 form.
- Some employees may not have any pay processed during October and November; as a result, the agency's fringe cost for these employees will be identified in labor distribution with the earn code XXX.
- These amounts are taxable and most employees will see a change in their net pay. There will also be a fringe cost to the agency.

121 Benefits (formerly Eide Bailly) is the administrator for the State of Minnesota's Flexible Spending Account (Medical/Dental Expense Account—MDEA) and the Healthcare Reimbursement Arrangement—HRA. Each year, 121 Benefits informs employees they are required to provide documentation to substantiate pre-tax purchases made with their Flexible Spending Account debit card. Employees are also informed that if the purchase(s) are not substantiated they may choose one of several alternative repayment options. Letters were mailed in July with an August deadline.

Agency Payroll, HR, and Accounting staff should contact Jodi Ehlenz at 651.259.3707 or [jodi.ehlenz@state.mn.us](mailto:jodi.ehlenz@state.mn.us) if there are questions.

**PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF.**