

Office Memorandum

Date: August 29, 2022 [Revised on 9/2/2022; revision is in **intense emphasis style**.]

To: Agency Payroll, HR, and Accounting Staff

From: Mary Muellner, Director, Statewide Payroll Services
Lorna Smith, Director, Employee Insurance

Subject: **Flexible Spending Account Debit Card & Unsubstantiated Pre-Tax Purchases**

The following payroll transactions for employees who have not substantiated their **calendar year 2021** pre-tax purchases with Benefit Resource (BRI) will be on paychecks beginning September 9 (PPE 8/30/2022), with most of the transactions occurring in September or October:

- **For transactions against the MDEA, State HRA, or Minnesota State HRAs that were not substantiated or repaid by the deadline**, the unpaid amount will be treated as additional income. Employees will see an amount for their remaining balance of unsubstantiated 2021 transactions, identified by Debit Card Overpayments (DCO), on their paystubs. This amount will also be included as taxable income on their 2022 W-2 form.
- **For employees who are no longer on payroll**, a transaction will be processed using the earn code EPF (Employer Paid FICA/Medicare) 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 2022 W-2 form.
- Some employees may not have any pay processed during September or October; 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.

Benefit Resource (BRI) is the administrator for the State of Minnesota's Flexible Spending Account known as Medical/Dental Expense Account (MDEA) and the Healthcare Reimbursement Arrangement (HRA.) Each year, Benefit Resource 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 if the purchase(s) are not substantiated, they may choose one of several alternative repayment options. Final notice letters were mailed to participants in July 2022 with a July 30 substantiation deadline.

Questions?

Agency Payroll, HR, and Accounting staff should contact Jodi Ehlenz at jodi.ehlenz@state.mn.us if there are questions on the unsubstantiated debit card process.

PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF