

Memo

Date: August 22, 2025

To: Agency Payroll, Human Resources, and Accounting Staff

From: Mary Muellner, Co-Director, Statewide Payroll Services
Katie Karow, Co-Director, Statewide Payroll Services
Galen Benshoof, Director, Employee Insurance

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

The following payroll transactions for employees who have not substantiated their calendar year 2024 pre-tax purchases with Benefit Resource (BRI) will begin pay period ending (PPE) 8/26/2025, with all transactions occurring in August or September:

- **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 2024 transactions, identified by Debit Card Overpayments (DCO), on their paystubs. This amount will also be included as taxable income on their 2025 W-2 form.
- **For employees who are no longer on payroll**, a transaction will be processed using the earnings code **EPF** (Employer Paid Social Security/Medicare) in addition to the DCO transaction. EPF is a paid earnings code, which has the employer pay the required employee portion of Social Security/Medicare. This amount will also be included as taxable income on the employee's 2025 W-2 form.
- Some employees may not have any pay processed during August or September; as a result, the agency's fringe cost for these employees will be identified in labor distribution with the earnings 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 with a July 25, 2025 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