

Office of State Uniform Payroll
State of Louisiana
Division of Administration

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

September 24, 2021

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2022-08

TO: LaGov HCM Paid Agency Human Resources
and Employee Administration Staff

FROM: Andrea P. Hubbard
Director

SUBJECT: Update to OSUP Memorandum #2021-51
2019 Flexible Spending Account Unsubstantiated Claims - **Immediate Action Required**

[OSUP Memorandum #2021-51](#) provided the recoupment and reporting process for 2019 unsubstantiated FSA claims per IRS regulations. Agencies were advised to review the [June 15, 2021 OGB memorandum](#) and list of employees with unsubstantiated claims for specific requirement details. A LaGov listserv message was released on July 6, 2021 with LaGov HCM entry instructions to establish payroll deductions for six pay periods beginning PPD 14/2021. Payroll deductions using WT 5657 (deduction) and WT 5658 (balance) concluded PPD 19/2021.

Agencies must take immediate action to complete the reporting process for active employees and separated employees as follows:

Active Employees

On Sept. 27, 2021, run ZP74 (Recurring/Additional Payments/Deductions Detail Report or Deduction Balance) to determine which employees have a remaining balance. Any balance remaining after PPD 19/2021 must be reported as taxable income on the 2021 Form W-2 using WT 0160 (FSA unsub claims TxNCash) on IT 0015. The amount entered will be included in the computation of applicable federal, state, Social Security, and Medicare wages and taxes and will be included in these wages/taxes on the 2021 Form W-2. **Applicable taxes will be deducted from the employee's pay in the pay period the WT 0160 amount is entered, thus reducing net pay. Entries must be completed by Oct. 29, 2021.** Agencies must notify employees of this entry and the tax consequences.

Separated Employees

Per IRS regulations, the unsubstantiated claim amount must be reported as taxable wages on the 2021 Form W-2 using WT 0160. Entries must be completed by Oct. 29, 2021. Since there will be no pay, taxes cannot be withheld from separated employees. The federal and/or state income taxes will be the responsibility of the employee when he files his 2021 income tax return. The Social Security and/or Medicare taxes that should have been withheld will be paid by the agency on behalf of the employee and a claim may be created for these funds. It will be the agency's

responsibility to follow the instructions in the semi-annual claims memorandum for collection of these funds. Notification of this W-2 adjustment must be sent to the separated employee.

In a separate correspondence, OGB directed agencies to certify proper collection/reporting of the unsubstantiated claims. Each agency is responsible for completing this certification by the OGB deadline. **OSUP will also provide a list of employees with payroll deductions and W-2 entries to OGB the first week of November.**

Direct LaGov HCM system entry questions to the [LaGov HCM Help Desk](#). Direct questions related to unsubstantiated claims to OGB at FlexibleSpendingAccounts@la.gov. Direct all other questions to a member of the OSUP Wage and Tax Administration Unit at _DOA-OSUP-WTA@la.gov or (225):

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APH:WRE/mfr