

Office of State Uniform Payroll
State of Louisiana
Division of Administration

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

June 16, 2021

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2021-51

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

FROM: Andrea P. Hubbard
Director

SUBJECT: 2019 Flexible Spending Account Unsubstantiated Claims

[OSUP Memorandum #2020-16](#) advised agencies that OSUP would be providing information regarding handling 2019 unsubstantiated FSA claims in early 2020. Due to the pandemic, Congress extended the time period for members to substantiate 2019 FSA claims. That time period has now expired. All remaining unsubstantiated FSA claims must now be recouped / reported. Review the [June 15, 2021 OGB memorandum](#) and list of employees with unsubstantiated claims for specific requirement details.

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

Active Employees

Per IRS regulations, the unsubstantiated claim amount must be recouped from the employee via payroll deduction. Agencies must contact the employee to establish the payment plan terms and then use WT 5657 (deduction) and WT 5658 (balance) to set up the payroll deduction for six pay periods (PPD 14/2021 through PPD 19/2021). **Refer to a forthcoming LaGov listserv message for specific LaGov HCM entry instructions.**

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

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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.

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:JAW