

HEALTH BENEFITS E-NEWS

*Department of Human Resource
Management
Office of Health Benefits*

December 15, 2021

Reclassification of Flexible Spending Account (FSA) Funds

Agencies were recently notified of funds that need to be reclassified as taxable income for FSA participants who did not appropriately validate FSA expenses made on their FSA cards. Centralized payrolls were notified by DOA and Decentralized payrolls were notified by OHB. Please make the appropriate deductions to your payrolls.

When making an adjustment to an employee's payroll, please notify the employee of the adjustment and the reason for it. You can use the suggested language below.

Hello XXX.

Your check dated XXX has been adjusted by \$XXX as taxable income due to failure to provide validation of Flexible Spending claims by the 9/30/21 deadline. By IRS guidelines, any amounts not validated by the end of the run out period must be reclassified as taxable income.

If you wish to dispute the classification, you can contact the Office of Health Benefits at OHB@dhrm.virginia.gov. Please know you will need documentation of the claim and documentation that you submitted the claim records to PayFlex by the 9/30/21 deadline.

If your agency did not receive a notification from DOA or OHB regarding reclassification of funds, then you do not have any this year.

Please do no reply to this e-mail. You may send inquiries to the Office of Health Benefits mailbox at ohb@dhrm.virginia.gov.