

**From:** [Elizabeth Sullivan](#)  
**Subject:** Important Communication re. personal leave, Further admin fee and wellness incentives  
**Date:** Friday, May 3, 2019 1:04:34 PM  
**Attachments:** [image001.png](#)  
**Importance:** High

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*This email is being sent to all SWWC staff, regardless of eligibility and enrollment, to notify you about regulatory compliance information and changes.*

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Good afternoon SWWC staff,

Due to clarification we received from the Minnesota School Board Association (MSBA) regarding IRS regulations on [constructive receipt](#), payout of personal leave to the HSA will no longer be an option. Constructive receipt of income prevents taxpayers from deferring tax on income they have not yet utilized or spent (i.e. contributed to HSA). All unused hours will be added to the employee's final paycheck (CSA may still opt to roll over unused personal leave to their sick leave per their Master Agreement).

Due to clarification we received from Mark Kinney, who does a legal review of our insurance language, the Further Admin Fee (\$2.95/month) cannot be deducted from your paycheck as a pre-tax deduction. Effective with the 2019-20 fiscal year, this monthly admin fee will be deducted from your paycheck as a post-tax deduction.

In 2016, the IRS issued guidance that wellness incentives, which includes gym membership discounts, Sharecare Marketplace credit, Vitals SmartShopper incentives, and cash or gift cards are (1) taxable to the employees and (2) must be included in the wages of the employee, even if provided by a third party (i.e. BCBS and/or your gym). According to the IRS, such incentives are subject to employment taxes, withholding, and must be reported on your Form W-2. As such, we received a report from BCBS in mid-December with the amount of fitness discounts received from January – October 2018 (including any discount employee's spouse and/or adult children may also have received) and this was added to employees' paychecks on 12/31/2018 as a taxable fringe benefit. In previous years, we never received a report from BCBS and had no way of knowing who to administer this taxation upon, so that is why this was the first time the taxable fringe benefit was reported. Going forward, we will be receiving quarterly reports from BCBS on fitness discounts and starting July 1, will receive quarterly reports on those who receive the \$20 incentive through Sharecare, so this taxable fringe benefit will be reported on your paychecks as reports are received so that it is not a one-time taxation for affected individuals.

Should you have questions on any of these insurance-related changes, please contact Elizabeth Sullivan at [elizabeth.sullivan@swsc.org](mailto:elizabeth.sullivan@swsc.org) or (507) 537-2242.

FYI – open enrollment communication will also be sent out later today.

Thanks!

**Elizabeth Sullivan, SHRM-CP | Compensation & Benefits Supervisor**



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