DGS CALIFORNIA DEPARTMENT OF
GENERAL SERVICES

HUMAN RESOURCES MEMORANDUM 20-013	DATE ISSUED: 04/29/2020
SUBJECT: **MEDICAL REIMBURSEMENT ACCOUNT AND DEPENDENT CARE REIMBURSEMENT ACCOUNT PERMITTING EVENTS UNDER THE FLEXELECT PROGRAM**	REFERENCE: CalHR 1407
TO: DGS Managers, Supervisors, Employee Resource Liaisons and Attendance Clerks	SUPERCEDES: *None*

PLEASE ENSURE THAT THIS INFORMATION IS SHARED WITH YOUR EMPLOYEES

Purpose
The purpose of this memorandum is to remind those enrolled in the FlexElect Reimbursement Accounts, under the State's FlexElect Program, of permitting events, specifically during the COVID-19 pandemic which has impacted various dependent care expenses.

Background
The FlexElect Program is a voluntary tax savings program available to eligible state employees each Plan Year (January 1 through December 31).

FlexElect Reimbursement Accounts allow state employees to establish FlexElect deductions to set aside money from their pay warrant to pay for certain out-of-pocket expenses. The FlexElect deductions are pre-tax, allowing participating employees to reduce their taxable income. There are two types of accounts: a "Medical Account" and a "Dependent Care Account."

1. Medical Reimbursement Account (MRA) - Covers eligible health-related expenses for employees and their dependents.
2. Dependent Care Reimbursement Account (DCRA) - Covers eligible dependent care expenses.

Tax Advantages
FlexElect funds and reimbursement payments are not taxable. This allows employees to reduce their monthly taxable income when they enroll in a FlexElect account. For dependent care expenses, there may be tax advantages by claiming these expenses as a credit on tax returns. Employees should consult with a tax professional on expenses that may be claimed as a credit on their tax returns.

Eligibility
An employee is eligible if they have a permanent position that is half-time or greater, or a Limited-Term or Temporary Authorization appointment with a mandatory right of return to a permanent position that is half-time or greater. Permanent-Intermittent employees are not eligible.

Enrollment and Permitting Events

Employees enrolled in the MRA and/or the DCRA must reenroll in the reimbursement accounts during the annual Open Enrollment period which is traditionally held during the fall.

Please note elections employees make at the time of enrollment remain in place for the duration of the Plan Year unless the employee experiences a permitting event. Permitting events are set by the Internal Revenue Services (IRS). Current IRS guidelines allow employees to modify their elections in the following situations:

- DCRA Only – Change in dependent care provider (e.g. a provider closes)
- DCRA Only – Change in dependent care costs (e.g. an employee increases or decreases care based on work schedule)
- MRA and DCRA – Change in employee eligibility that is a result of a reduction of hours (e.g. an employee's work schedule is reduced to less than half-time)

Employees may increase their elections if more childcare is needed, reduce their elections if less childcare is needed or cancel if no childcare is needed. These are common permitting events but are not an exhaustive list. You may refer to the FlexElect Program Permitting Event Codes/Dates Chart for additional permitting events.

Employees experiencing a permitting event have 60 days from the event to submit a STD 701R – Reimbursement Account Enrollment Authorization form to modify or cancel their elections. All forms must be submitted to the Office of Human Resources for processing.

The effective date of the change will be on a prospective basis for all standard events. Standard events are effective the first of the following month when a correctly completed enrollment form is received by the State Controller's Office by the 10th of the month.

Questions

For additional information, visit the California Department of Human Resources' Frequently Asked Questions. If you have questions regarding this memorandum, please contact your designated Personnel Specialist.

AMY APPLEGATE, Personnel Officer
Office of Human Resources

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