



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

Wisconsin Department
of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: August 10, 2018
To: Group Insurance Board
From: Xiong Vang, HSA & ERA Accounts Program Manager
Eileen Mallow, Director
Office of Strategic Health Policy
Subject: Federal Tax Law Changes to Qualified Transportation Fringe Benefits

This memo is for the Board's consideration.

The purpose of this memo is to provide background information and request the Group Insurance Board (Board) consider the matter raised by the University of Wisconsin Hospital and Clinics Authority (UWHC) with respect to changes to the federal tax law on transportation fringe benefits plan for parking and transit expenses (Attachment A).

The federal Tax Cuts and Jobs Act (TCJA) of 2017 was signed into law December 22, 2017, with an effective date of January 1, 2018. The TCJA did not affect an employee's ability to make pre-tax contributions to a qualified transportation fringe benefits plan for parking and transit expenses. It did, however, amend the definition of unrelated business taxable income (UBTI) to include qualified transportation fringe benefits. Those changes are expected to affect the UWHC's tax liability for UWHC employees participating in ETF's Commuter Benefits Program, a qualified transportation fringe benefits plan under federal Internal Revenue Code (Code) Section 132(f).

A similar situation raised by the University of Wisconsin System (UW) was presented to the Board on May 16, 2018 in memo [Federal Tax Law Changes to Qualified Transportation Fringe Benefits](#) (Ref. GIB | 5.16.18 | 2.5). The Board exercised its authority to amend the Transit and Parking Plan Document to freeze plan participation for UW employees to only those employees participating as of May 1, 2018, this action disallowed enrollment of new UW participants going forward. The Plan Document was amended to discontinue the acceptance of contributions by UW participants as of May 31, 2018. Current UW participants are still able to continue to use contributions they had already made into ETF's Commuter Benefits Program until those amounts are exhausted.

Reviewed and approved by John Voelker, Deputy Secretary

Electronically Signed 8/21/18

Board	Mtg Date	Item #
GIB	8.22.18	5

Federal Tax Law Changes to Qualified Transportation Fringe Benefits

August 10, 2018

Page 2

The TCJA impacts UWHC's tax liability for both its UWHC-sponsored qualified transportation fringe benefits program and for UWHC employees participating in ETF's Commuter Benefits Program. If plan participation and contribution amounts in both plans remain consistent, the UWHC estimates that it will owe an additional \$800,000 in federal taxes.

A total of 101 UWHC employees participate in ETF's Commuter Benefits Program:

Benefit	Total # of Participants	Total Contributed in 2018	Account Balance Total*
Parking Account	97	\$30,966	\$27,366
Transit Account	4	\$490	\$1,315
Totals	101	\$31,456	\$28,681

*Account Balance Total is the total fund balance available. This amount includes rollover and 2018 contributions to date minus funds used.

The Board is not required to take any action based on the passage of the federal TCJA. ETF is not directly affected by these changes to federal tax law. Nor are employees participating in ETF's Commuter Benefits Program.

The UWHC, however, faces an unexpected tax liability by continuing to offer pre-tax transportation benefits through ETF's Commuter Benefits Program. To limit its liability for transportation-related benefits, the UWHC requests the Board to exercise its authority to amend the Transit and Parking Plan Document to freeze plan participation for UWHC employees to only allow those employees participating as of November 1, 2018 and allow those participants to continue to make contributions through October 31, 2018, and allow participants to be able to use contributions they had made through October 31, 2018 until those amounts are exhausted. The Plan Document would be further amended to terminate the UWHC's participation as an Adopting Employer as of January 1, 2019.

These changes would close the plan to new UWHC participants and discontinue all future employee contributions, thereby potentially limiting the UWHC's tax liability. Current participants would be able to continue using contributions they had already made into the ETF Commuter Benefits Program until those amounts are exhausted.

Staff will be available at the Board meeting to answer questions.

Attachment A: UWHC Memo

Correspondence Memorandum

Date: August 7, 2018
To: Department of Employee Trust Funds
From: Anthony J. Dix, Director of HR Services, University of Wisconsin Hospital and Clinics Authority
Subject: Federal Tax Law Changes to Qualified Transportation Fringe Benefits

The purpose of this memo is to provide background information to ETF. The federal tax law changes are expected to impact UW Health's tax liability. UW Health estimates an impact of approximately \$800,000.

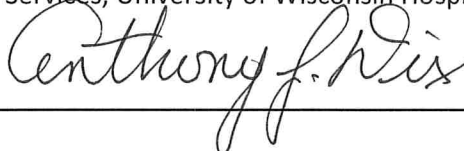
UWHC offers eligible employees two qualified transportation fringe benefit programs:

1. A UWHC sponsored program; and
2. ETF's Commuter Benefits Program

For the majority of UWHC's employees, a set dollar amount is deducted pre-tax from wages and the organization pays those amounts directly to the participants parking facility. Most UWHC employees are also eligible for ETF's Commuter Benefit Program. A total of 63 UWHC employees currently participate in ETF's program.

UW Health faces an unexpected tax liability due to the federal Tax Cuts and Jobs Act by continuing to offer pre-tax transportation benefits through ETF's Commuter Benefits Program and would request ETF consider amending their plan document to not require UWHC to offer this program. Our request is similar to the change the Group Insurance Board (GIB) adopted in May for the University of Wisconsin.

Reviewed and approved by Anthony J. Dix, Director of HR
Services, University of Wisconsin Hospital and Clinics Authority

 Signed 8/13/2018