



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

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 of Employee Trust Funds
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Correspondence Memorandum

Date: July 22, 2020
To: Group Insurance Board
From: Xiong Vang, HSA & ERA Accounts Program Manager
 Office of Strategic Health Policy
Subject: UW Parking and Transit Accounts Authorization


The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) approve University of Wisconsin System (UWS) and University of Wisconsin Hospital and Clinics (UWHC) employee participation in the Parking and Transit Accounts effective January 1, 2021.

Background

The commuter fringe benefit accounts authorized under Wis. Stat. §40.02(26g), Wis. Stat. §40.85 and Section 132 of the Internal Revenue Code (IRC), allows State employees the ability to elect pre-tax deductions for qualified parking expenses and/or mass transit expenses.

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 commuter fringe benefit plan for parking and transit expenses. It did, however, amend the definition of unrelated business taxable income (UBTI) to include qualified commuter fringe benefits. This caused a significant employer tax liability for UWS and UWHC. The employers requested to opt out of participation in ETF’s commuter fringe benefit accounts mid-year 2018 ([Ref. GIB | 5.16.18 | 2.5](#) and [Ref. GIB | 8.22.18 | 5](#)). These requests were approved by the Board.

On December 20, 2019, the Further Consolidated Appropriations Act 2020 was signed into law and repealed certain provisions of the TCJA of 2017 that required associations and other tax-exempt organizations to pay UBTI on employee benefits such as parking and transportation. As a result, UWS and UWHC employees will be able to have parking and transit deductions taken pre-tax effective January 1, 2021 without any tax liability for the employers. UWS and UWHC request the Board’s approval to return to the parking and transit accounts for the 2021 plan year (see Attachment A and Attachment B).

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy
 Electronically Signed 7/29/20

Board	Mtg Date	Item #
GIB	8.19.20	9

Commuter Fringe Benefit Accounts Enrollment

The commuter fringe benefit accounts are administered by ConnectYourCare (CYC). A total of 2,658 participants were enrolled in the parking and transit accounts as of June 30, 2020. Contributions totaling \$1.2 million have been made to the commuter fringe benefit accounts year to date (YTD), and over \$1.6 million in contributions are projected to have been made by the end of the 2020 plan year, as outlined in Table 1.

Table 1 – 2020 Enrollment and Contributions

Benefit	Total # of Participants	YTD Contributions	Projected Contributions
Parking Account	1,938	\$1,080,894.68	\$1,475,601.80
Transit Account	720	\$196,436.41	\$206,726.32
Totals	2,658	\$1,277,331.09	\$1,682,328.12

The commuter fringe benefit programs have not had a participation increase since the withdrawal of UWS and UWHC in 2018. Enrollments remained steady across the 2018 and 2019 plan years, with a slight decrease in participation in 2020, as outlined in Table 2.

Table 2 – Commuter Fringe Benefit Enrollment Experience

	2015	2016	2017	2018	2019	2020*
Parking Account Participation	1,705	1,853	2,037	2,248	2,182	1,938
Transit Account Participation	495	566	618	724	786	720
Total Commuter Fringe Benefit Participation	2,200	2,419	2,655	2,972	2,968	2,658

**2020 Participation enrollment is based on second quarter of 2020 plan year*

A total of 435 participants from UWS and 101 participants from UWHC enrolled in the commuter fringe benefit programs in 2018, as outlined in Table 3.

Table 3 – 2018 UWS and UWHC Participants Enrollment in Commuter Benefits

Benefit	# of Participants (UWS 2018)	# of Participants (UWHC 2018)
Parking Account Participation	364	97
Transit Account Participation	71	4
Total Commuter Fringe Benefit Participant	435	101

Next Steps

With the Board’s approval, UWS and UWHC employees will be eligible to enroll in the Parking and Transit Accounts during the open enrollment period for plan year 2021. ETF will amend the Transit and Parking Plan Document to remove the exclusion of UWS and UWHC participation from these programs. The revised Transit and Parking Plan Document will be presented for Board approval at the November 2020 Board meeting.

CYC has been working with UWS and UWHC on file testing to ensure successful enrollment file transmission for the new plan year. File testing is expected to be completed by the end of September 2020.

CYC has offered to send a series of commuter fringe benefit account engagement communications on behalf of UWS and UWHC. UWS and UWHC are prepared to send internal communications to their employees should this change be approved. ETF open enrollment materials for plan year 2021 will also reflect this change, if approved.

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

Attachment A: UW System Commuter Request

Attachment B: UW Hospital and Clinics Commuter Request

MEMORANDUM

DATE: March 18, 2020

*TO: Xiong Vang,
HSA & ERA Accounts Program Manager,
Wisconsin Department of Employee Trust Funds (ETF)*

*FROM: Shenita Brokenburr, Ph.D.
Senior Associate Vice President/Chief Human Resources Officer,
University of Wisconsin System*

RE: UW System Request for Opt-in Status: State of Wisconsin Parking & Transit Accounts

Summary:

Due to tax liability implications of the Tax Cuts and Jobs Act passed by the Federal Government effective January 1, 2018, the University of Wisconsin System (“UW System”) changed employee’s pre-tax payroll deductions for parking, vanpool, and bus passes to post-tax for payrolls effective June 1, 2018.

Additionally, the UW System requested through the Group Insurance Board (“GIB”) through the Department of Employee Trust Funds (“ETF”) to opt out of the Parking & Transit Accounts so employees could not merely change their parking, vanpool, and bus pass deductions to the Parking & Transit Account Program. Please refer to the attached memo from UW System to ETF dated May 9, 2018, RE: TASC Parking and Transit Options for additional background. This request was approved at the May 2018 GIB meeting.

In December 2019, The Further Consolidated Appropriations Act, 2020 was signed into law. This act repealed certain provisions of the Tax Cuts and Job Act. As a result, the UW System’s tax liability implications for the programs mentioned above have changed. Effective January 2020 UW System (all institutions) changed employees parking, vanpool, and bus pass deduction from post-tax to pre-tax.

Action Requested:

Due to the reasons noted above, the UW System requests of ETF to opt back into the Parking & Transit Accounts, implementing with ConnectYourCare as soon as administratively possible.

Cc: Rob Cramer
Jennifer Lattis
Julie Gordon
Ginger Hintz
Dan Chanen
Erin Schoonmaker

Attachment: Tax Reform – Memo to ETF 2018-05 FINAL (RE: TASC Parking & Transit Options)



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DATE: May 9, 2018
TO: Diana Felsmann
FROM: Jennifer Lattis
RE: TASC Parking and Transit Options

The Tax Cuts and Job Act passed by the Federal Government (Tax Reform Act), effective January 1, 2018, made extensive changes to Section 274 of the Internal Revenue Code related to qualified transportation fringe benefit deductions. The University of Wisconsin System (UW) has been advised by the tax consultants at KPMG that pre-tax payroll deductions for parking and other transportation-related payments and University subsidies of transportation costs are now subject to Unrelated Business Income Tax (UBIT). The following transportation areas are covered:

- Commuter highway vehicle
- Transit pass
- Qualified parking

Using the UBIT processes, the Tax Reform Act captures a new income tax that is equivalent to the fair market value of the qualified transportation fringe benefit provided to employees. In general, the fair market value is determined by what the employee pays for the qualified transportation fringe benefit, or if discounted includes the imputed value of any related subsidies.

Since January, the UW has been evaluating the effects of the Tax Reform Act and has determined that the UW could incur a significant tax liability unless a change is made. This table contains the count of employees and pre-tax deductions by deduction type for calendar year 2017, and the potential Federal tax liability.

Deduction Type	Employee Count	Pre-Tax Deductions
Parking/Bus Pass	21,658	9,020,449.79
TASC Transit	28	13,413.06
TASC Parking	239	135,367.73
Vanpool	197	190,398.85
Totals	22,122	9,359,629.43
Potential Federal Tax Liability		1,249,510.53

This potential Federal tax liability does not include taxes on the imputed value of the subsidies related to bus services provided at the institution. Nor does it include the potential State tax liability, as the 2017 WISCONSIN ACT 231 enacted on April 3, 2018 adopted many of the provisions in the Tax Reform Act.

To reduce the potential tax liabilities, we are in the process of changing all employee transportation payroll deductions from pre-tax to post-tax effective for payrolls on or after June 1, 2018. However, without an amendment by the Group Insurance Board (GIB) to allow the UW to opt out of being an adopting employer in the TASC Parking and Transit Programs, employees will merely change over their transportation payroll deductions to the TASC Parking and Transit Programs, which will result in no change to the tax liabilities.

Providing the GIB approves an amendment, here is the DRAFT communication that will be sent to employees:

Suggest email title: Tax law changes for parking fees, vanpool, and bus passes

Due to the Tax Cuts and Job Act passed by the Federal Government effective January 1, 2018, the UW System [or campus name] will be required to change your pre-tax payroll deductions for parking, vanpool, and bus passes. Starting June 1, 2018, these fees will be deducted on a post-tax basis for all UW System Administration and UW campus employees.

- If you are paid monthly, you will see the post-tax deductions made on your June 1st paycheck.
- If you are paid biweekly, you will see the post-tax deductions on your June 7th paycheck.

Because of the federal tax law changes, UW employees will not be able to create Parking and Transit Accounts, as offered through TASC, in the future. If you have an existing Parking and Transit account, funds cannot be added for payrolls dated on or after June 1, 2018. Any funds withheld prior to June 1st are still available to be used for parking and transit purposes until exhausted.

If you have additional questions, please contact Human Resources at _____.

Please feel free to reach out if you should have questions or need additional information as you prepare for the May 16th, 2018 GIB Board meeting.

cc: Julie Gordon
Ginger Hintz
Erin Schoonmaker
Eric Engbloom

Correspondence Memorandum

Date: June 10, 2020

To: Department of Employee Trust Funds

From: Anthony J. Dix, Director, Total Rewards and Service Delivery

Subject: Federal Tax Law Changes to Qualified Transportation Fringe Benefits

The purpose of this memo is to provide background information to ETF. In December 2019, the House and Senate retroactively repealed the Tax Cuts and Job Acts. With that change, we wish to make changes to our transportation fringe benefit programs effective January 1, 2021 (would include as part of 2021 Open Enrollment):

1. A UW Hospitals and Clinics (UWHC) sponsored program, and
2. ETF's Commuter Benefit Program (Parking and Transit)

For the majority of UWHC's employees, a set dollar amount is deducted post-tax from wages and the organization pays those amounts directly to the participants parking facility. Effective January 1, 2020 we will be updating our practices to allow employees to have automatic deductions made on a pre-tax basis for UW Madison parking expenses.

There is an additional population of employees that has in the past utilized ETF's Commuter Benefit Program to pay for out-of-pocket eligible parking and transit expenses outside of the UW Madison parking lots. We wish to include this as an available benefit effective January 1, 2021, to be included as part of our Open Enrollment process.

UWHC wishes to allow employees the advantage to save on income taxes, as well as UWH Authority's ability to save on payroll related taxes. Our request is similar to the change the Group Insurance Board (GIB) is considering for the University of Wisconsin.

Reviewed and approved by Anthony J. Dix, Director Total Rewards and Service Delivery, University of Wisconsin Hospital and Clinics Authority



Signed 6/10/2020