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Correspondence Memorandum

Date: October 19, 2020

To: Group Insurance Board

From: Xiong Vang, HSA & ERA Accounts Program Manager
 Office of Strategic Health Policy

Subject: Transit and Parking Plan Document Changes and University of Wisconsin Hospital & Clinics Exclusion

The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) approve the proposed changes to the Transit and Parking Plan Document effective January 1, 2021.

Background

Since 2002, ETF has offered 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) to State employees, allowing the ability to elect pre-tax deductions for qualified parking expenses and/or mass transit expenses. This benefit plan can be used for qualified transportation expenses incurred getting to work, such as parking or bus transit passes.

ETF maintains a [Transit and Parking Plan Document](#) (Plan Document) that constitutes the official plan document of the commuter benefits and how the plan works. The Board has oversight authority for the benefit programs, and ConnectYourCare (CYC) is the third-party administrator. The Plan Document is reviewed on an annual basis by ETF staff, CYC legal staff, and ETF’s Office of Legal Services to ensure all appropriate changes have been made for the upcoming plan year.

Transit and Parking Contribution Limit

On November 6, 2019, the Internal Revenue Service (IRS) announced the annual inflation adjustments, which included increasing 2020 contribution limits for the commuter benefits to \$270 per month under [Rev. Proc. 2019-44](#). ETF did not adopt the contribution limit increase for the 2020 plan year because the notice was released after the annual open enrollment period (September 30, 2019 – October 25, 2019).

Furthermore, the increase was not significant, amounting to \$5 more than the 2019 commuter benefit contribution limit of \$265. A late adoption would have required

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy

Eileen K Mallow Electronically Signed 11/10/20

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changes to printed materials, online information, member communications, and system updates. A late adoption would also have created an administrative burden for employers and CYC.

ETF is proposing the \$270 contribution limit increase be approved for plan year 2021, as outlined in the revised Plan Document.

Transit and Parking Plan Document Changes

ETF recommends the following changes to the Plan Document be approved for plan year 2021:

- Amended and restated effective date to January 1, 2021
- Transit and parking contribution limits increased to \$270 per month
- Remove the exclusion of University of Wisconsin (UW) System employees from parking and transit account participation

See Attachment A for additional Plan Document change details. The proposed changes will allow additional contributions and cost savings for members, make the Plan Document consistent with current IRS regulations, and increase program participation due to newly enrolled UW System employees.

University of Wisconsin Hospital & Clinics (UWHC) Exclusion

During the Board meeting on August 19, 2020, the Board approved the participation of UW System and UW Hospital & Clinics (UWHC) employees in the commuter programs for plan year 2021 (Ref. [GIB | 8.19.20 | 9](#)). This change was proposed due to the passage of the Further Consolidated Appropriations Act 2020 that repealed certain provisions of the Tax Cuts and Job Acts of 2017 (TCJA), which required associations and other tax-exempt organizations to pay unrelated business taxable income (UBTI) on employee benefits, such as parking and transportation.

However, the Wisconsin Legislature has not adopted the repeal of the provision. Therefore, certain qualified transportation fringe benefits identified must be included in a tax-exempt entity's UBTI for Wisconsin purposes. ETF advised UW System and UWHC to review the repeal provisions of TCJA that were not adopted by the Wisconsin Legislature with their tax counsel.

UWHC notified ETF that they wished to be excluded from the commuter benefits for 2021 plan year and until further notice. The exclusion of UWHC participation in the commuter benefits programs remains within the Plan Document.

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

Where Is It Located?	Description of Change Requested	Effective Date	Proposed Language	Comments	Triple Aim Analysis: How will this change impact quality/experience, program and cost?
Title Page; Plan Information Appendix	Amended & Restated Date	January 1, 2021	Amended & Restated: January 1, 2021	2020 Plan Document was amended and restated January 1, 2020	Quality: none; internal administrative change only Program: none; internal administrative change only Cost: none; internal administrative change only
Article 3.03; Plan Information Appendix	IRS contribution limit for transit and parking	January 1, 2021	The amounts to be excluded from gross income under 2020 plan year contribution was \$265 Code Section 132 shall not exceed \$270 per month per account.		Quality: Allows additional contribution and up to date with IRS regulations Program: Provides additional participation and saving costs for members Cost: none; system administrative change only
Plan Information Appendix	Remove exclusion of UW System	January 1, 2021	All State of Wisconsin Employees (except for UW Hospitals & Clinics employees), including limited term employees, are eligible to participate.	2020 plan year had the exclusion of UW System and UW Hospitals & Clinics	Quality: Allows additional carryover and up to date with IRS regulations Program: Provides additional participation and saving costs for members Cost: none; system administrative change only