

State of Louisiana
Office of State Uniform Payroll

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Office of State Uniform Payroll Memorandum #2026-48

To: LaGov HCM Paid Agency Human Resources
and Employee Administration Staff

From: Andrea P. Hubbard
Director

Subject: 2025 Flexible Spending Account Unsubstantiated Claims

In a [May 19, 2026 memorandum from the Office of Group Benefits](#), agencies were provided a list of employees with 2025 Flexible Spending Account unsubstantiated claims. All remaining unsubstantiated claims must now be recouped/reported. Review the May 19, 2026 OGB memorandum and list of employees with unsubstantiated claims for specific requirement details.

Agencies must take immediate action to begin the recoupment / reporting process for active and separated employees as follows:

Active Employees

Per IRS regulations, the unsubstantiated claim amount must be recouped from the employee via payroll deduction. Agencies must contact the employee to establish the payment plan terms and then use WT 5657 (deduction) and WT 5658 (balance) to set up the payroll deduction for eight pay periods (PPD 12/2026 through PPD 19/2026). **Refer to a forthcoming LaGov listserv message for specific LaGov HCM entry instructions.**

On Sept. 21, 2026, run ZP74 (Recurring/Additional Payments/Deductions Detail Report or Deduction Balance) to determine which employees have a remaining balance. Any balance remaining after PPD 19/2026 must be reported as taxable income on the 2026 Form W-2 using WT 0160 (FSA unsub claims TxNCash) on IT 0015. The amount entered will be included in the computation of applicable federal, state, Social Security, and Medicare wages and taxes and will be included in these wages/taxes on the 2026 Form W-2. **Applicable taxes will be deducted from the employee's pay in the pay period the WT 0160 amount is**

entered, thus reducing net pay. Entries must be completed by Oct. 23, 2026.
Agencies must notify employees of this entry and the tax consequences.

Separated Employees

Per IRS regulations, the unsubstantiated claim amount must be reported as taxable wages on the 2026 Form W-2 using WT 0160. Entries must be completed by Oct. 23, 2026. Since there will be no pay, taxes cannot be withheld from separated employees. The federal and/or state income taxes will be the responsibility of the employee when the 2026 income tax return is filed. The Social Security and/or Medicare taxes that should have been withheld will be paid by the agency on behalf of the employee and a claim may be created for these funds. It will be the agency's responsibility to follow the instructions in the semi-annual claims memorandum for collection of these funds. Notification of this W-2 adjustment must be sent to the separated employee. **Note: Deceased employees require further review. Contact a member of the OSUP Wage and Tax Administration Unit for special instructions.**

Direct LaGov HCM system entry questions to the [LaGov HCM Help Desk](#). Direct questions related to unsubstantiated claims to OGB [FlexibleSpendingAccounts](#). Direct all other questions to a member of the [OSUP Wage and Tax Administration Unit](#). Contact information is available on the [staff directory page](#).