

Office of State Uniform Payroll
State of Louisiana
Division of Administration

JEFF LANDRY
GOVERNOR



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COMMISSIONER OF ADMINISTRATION

October 9, 2025

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2026-19

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

FROM: Andrea P. Hubbard
Director

SUBJECT: Update to OSUP Memorandum #2026-02
2024 Flexible Spending Account Unsubstantiated Claims - **Immediate
Action Required**

[OSUP Memorandum #2026-02](#) provided the recoupment and reporting process for 2024 unsubstantiated FSA claims per IRS regulations. Agencies were advised to review the [July 7, 2025 OGB memorandum](#) and list of employees with unsubstantiated claims for specific requirement details. A [LaGov listserv message](#) was released on July 3, 2025 with LaGov HCM entry instructions to establish payroll deductions for five pay periods beginning PPD 15/2025. Payroll deductions using WT 5657 (deduction) and WT 5658 (balance) concluded PPD 19/2025.

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

Active Employees

Run ZP74 (Recurring/Additional Payments/Deductions Detail Report or Deduction Balance) to determine which employees have a remaining balance. Any balance remaining after PPD 19/2025 must be reported as taxable income on the 2025 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 2025 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. 24, 2025. 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 2025 Form W-2 using WT 0160. Entries must be completed by Oct. 24, 2025. 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 he files his 2025 income tax return. 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 employees. **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 at FlexibleSpendingAccounts@la.gov. Direct all other questions to a member of the OSUP Wage and Tax Administration Unit at _DOA-OSUP-WTA@la.gov or (225):

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