City of Madison

Human Resources Department

Date: November 10, 2025

2026 Plan Year Open Enrollment for Flexible Spending Accounts is November 10, 2025 - November 26, 2025 at 4:30pm

To: Employees Certified at 50% or More of Full-Time Equivalent Employment and Elected Officials
From: Human Resources Department Benefits Team
Subject: 2026 Plan Year Flexible Spending Account Open Enrollment

Introduction

The annual Flexible Spending Account Open Enrollment period is an opportunity for eligible employees to enroll in Flex Spending plan(s) for the 2026 Plan Year, which will be 1/1/2026 to 12/31/2026. Flex Spending plans allow you to designate pre-tax dollars to be taken from your paycheck(s) and used for eligible expenses incurred by qualified individuals. **Please make sure you review the full memo before you submit election(s)!** This ensures you are making an informed decision about 2026 Plan Year Flex Spending.

If you wish to participate in Flex Spending for the 2026 Plan Year, **you must actively submit your enrollment via the Employee Self Service (ESS) portal before the end of the Open Enrollment period.** Unlike Health, Dental, and Vision Insurance, Flex Spending **does not** automatically renew from year to year – a new enrollment is required for each Plan Year in which you wish to participate.

ESS Security Update

In June 2025, the City implemented a second level of authentication for ESS logins. In addition to your username and password, ESS login now also requires employees to answer two security questions. If you have not yet set your security questions, you will be prompted to do so when you next log in to ESS.

Human Resources strongly recommends you attempt to log in to ESS early in the Open Enrollment period in case you need to reset your password or security questions. The reset process may take longer than you think, and missing the Open Enrollment deadline due to technical difficulties will not grant you a grace period.

Open Enrollment Basics

Flex Spending enrollments/elections for the 2026 Plan Year must be made online through the Employee Self Service (ESS) portal by logging into your account at ess.cityofmadison.com. **Paper/PDF forms are not accepted for Open Enrollment elections.** Click the Login icon in the upper-right corner of the screen to enter your login credentials. Your username is your Employee Number, which can be found in the upper-left corner of your paycheck. The first time you log in to ESS, your password will be the last four digits of your Social Security Number (SSN).

If you need assistance resetting your password, please contact City IT at (608) 266-4193.

Once you are logged in, instructions on how to complete online enrollments are available via the **ESS Resource Menu** and at the URL below:

https://ess.cityofmadison.com/ess/custom/documents/2026%20Flex%20Open%20Enrollment%20in%20ESS.pdf

Plan Overview

Participation Eligibility

Permanent full-time employees, permanent part-time employees who work at least 19.38 hours per week, and elected officials (Mayor, Municipal Court Judge, and Alders) are eligible to participate. **Hourly and seasonal employees are not eligible**.

Employees in layoff status will have an opportunity to enroll **within 30 calendar days** of returning to work, and should contact Human Resources immediately upon returning to work to consult about benefits.

Types of Accounts

There are two types of Flex Spending Accounts (FSAs) available:

- **Healthcare FSAs (also called Medical FSAs):** funds elected for Healthcare FSA can be used for eligible medical expenses incurred by you, your spouse, and/or your qualified dependent(s) (as defined by IRS regulations) during the Plan Year and grace period.
- **Dependent Care Assistance Program (DCAP) Accounts:** funds elected for DCAP can be used for eligible dependent care expenses for qualified dependent(s) (as defined by IRS regulations) during the Plan Year and grace period. In order to be eligible, the expenses must be for the purpose of enabling you to work – for example, daycare expenses for a qualified dependent child under 13.

Administrator

Total Administrative Services Corporation (TASC) will continue to be the third-party administrator for both Healthcare FSA and DCAP accounts for the 2026 Plan Year.

2026 Plan Year Information

Plan Year + Grace Period

The 2026 Plan Year is 1/1/2026 through 12/31/2026. There is also a grace period for reimbursement for eligible expenses incurred during the Plan Year. You have until March 15, 2027 to **incur** claims against your 2026 FSA and DCAP funds. You have until March 31, 2027 to **submit** claims against your 2026 FSA and DCAP funds. During the grace period, claims for expenses incurred in 2026 should be submitted first. **Any funds unclaimed by March 31, 2027 will be forfeited.**

2026 Plan Year IRS Minimums/Maximums

Healthcare Flexible Spending Account (FSA)*

- $3,400.00 Individual Annual Maximum
- There is no Minimum annual election amount

Dependent Care Assistance Program Account (DCAP)**

- $7,500.00 Household Annual Maximum (regardless of number of dependents)***
- $3,750.00 Annual Maximum for married individuals filing separately
- There is no Minimum annual election amount

*If your spouse has a Health Savings Account (HSA), you are **ineligible** to enroll in the Healthcare FSA per IRS regulations.

** If you do not yet know whether you will need dependent care in 2026 (or you do not know if you will have dependent care available), **you may not want to enroll in DCAP during the Open Enrollment period.** Instead, you may enroll in a DCAP account within 30 calendar days of the start of dependent care.

*** **The IRS has specific regulations for individuals who are divorced or legally separated.** More information is provided on p4 of this memo. If this applies to you, please determine your eligibility **before** electing DCAP.

Access to Contributions

If you choose to enroll in a Healthcare/Medical FSA or DCAP account during Open Enrollment, you choose the **per pay period dollar amount** you want to contribute to each account based on your estimated expenses for the upcoming Plan Year. Your contributions will be deducted from each paycheck, **pre-tax**, throughout the Plan Year and cannot exceed the predetermined IRS annual maximum(s).

You will have access to your total Healthcare FSA annual contribution immediately at the start of the Plan Year. DCAP funds are available **up to the current account balance only** (year-to-date payroll deductions).

Reimbursements and the TASC FSA Payment Card

Once you are enrolled, TASC will provide you with an enrollment packet by mail or email. If you enroll in Healthcare FSA, you will receive an FSA payment card (debit card) that may be used for eligible Healthcare FSA expenses. If you were enrolled in Flex Spending in 2025 and have an existing TASC card, you will not receive a new card.

As you incur eligible expenses, please swipe your FSA Payment Card to pay for the purchase. The card automatically pays for and substantiates most eligible expenses at the point of purchase. If you do not use the FSA Payment Card to pay for an eligible expense, you may submit a request for reimbursement via the TASC mobile app, online Request for Reimbursement form via the TASC website, fax, or USPS mail. Your reimbursement will be made via the method that you select (direct deposit, paper check).

The TASC card cannot be used for DCAP expenses – DCAP expenses must be submitted for reimbursement via the TASC mobile app, online portal, fax, or USPS mail.

Important Reminders

- The Healthcare FSA and the DCAP account are **separate accounts.** Funds cannot be transferred from one account to the other.
- Once FSA and/or DCAP contributions have been collected via payroll deduction, **they cannot be refunded,** even if you determine that you will not incur any eligible expenses in the Plan Year. Midyear changes can **only** be made with an eligible qualifying life event (for which deadlines apply and documentation is required). See p4 for details.
- Eligible claims must be incurred during the Plan Year, during the grace period for the Plan Year, or during the part of the Plan Year in which you are actively participating. Per current IRS rules, **an expense is incurred when service is actually received,** not when you are billed for or pay for the service.
- It is recommended that you save receipts for all FSA and DCAP expenses, as they may be required to substantiate claims with TASC and/or for tax filing purposes. Per IRS regulations, **it is the responsibility of the individual** to be able to substantiate all Flex Spending claims with sufficient documentation in the event of an audit, and the IRS determines what constitutes sufficient documentation.
- For more information, please refer to the Summary Plan Description (SPD) on the Open Enrollment website.

Certain Ineligible Expenses

Grandchildren

Expenses incurred for grandchildren not claimed by you as a tax dependent are **not eligible** for reimbursement under the Flex Spending benefit. If you believe your grandchild may be eligible, **double-check** before you opt to enroll.

Domestic Partners

Expenses incurred by your domestic partner are **not eligible** for reimbursement unless you can claim your domestic partner as a tax dependent, as defined in Section 152 of the Internal Revenue Code, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof.

Spouse Health Savings Account (HSA)

If you are married and your spouse has a Health Savings Account (HSA), you are **ineligible** to enroll in the Healthcare FSA per IRS regulations.

Children of Divorced/Legally Separated Parents

TASC has confirmed the following about children of divorced or legally separated parents with regard to DCAP accounts, per IRS regulations (emphases added):

Even if you cannot claim your child as a dependent, they are treated as your **qualifying person** if all of the following are true:

- The child was under age 13, or was not physically or mentally able to care for themselves.
- One or both parents provided more than half of the child's support for the year and are divorced, legally separated, or lived apart at all times during the last six months of the calendar year.
- One or both parents had custody of the child for more than half of the year.
- You were the child's custodial parent. The custodial parent is the parent having custody for the greater portion of the calendar year. If the child was with both parents for an equal number of nights the parent with the higher adjusted gross income is the custodial parent.

A non-custodial parent who is entitled to claim the child as a tax dependent **may not treat the child as a qualifying individual for the Dependent Care FSA,** even when that parent is financially responsible for providing the care. **Only one parent (the custodial parent) may qualify for the Dependent Care FSA benefit for a taxable year.** The regulations do not provide any relief for a non-custodial parent that incurs dependent care expenses for the portion of the year in which they have custody of the child to enable the non-custodial parent to work.

Midyear Election Changes

When you have a status change that alters your coverage needs, you must complete and submit a change form to Human Resources **no later than 30 calendar days** after the qualifying event if you wish to make changes to your election(s). Please note that midyear election changes can only take effect **prospectively** – that is, they can only impact **future** paychecks. Status changes include:

- **Change in legal marital status:** Marriage, death of spouse, divorce, legal separation, annulment
- **Change in the number of eligible dependents:** Birth, death, adoption, placement for adoption
- **Change in employment status:** Employee, spouse or dependent termination or start of employment, a strike or lockout, start of or return from unpaid leave of absence
- **Dependent satisfies (or ceases to satisfy) the requirements for unmarried dependents:** Student status, dependent no longer qualifies because of age

If a change in election is made, the change will be effective the first of the month following:

- The date the change in status occurs, or
- The date the request form is signed (within 30 calendar days of the event).

A change in the cost of coverage or care is a qualifying event to make changes to Dependent Care Assistance Program (DCAP) elections only and **does not apply to Healthcare FSAs.** Examples include:

- You may change your DCAP election amount if the provider changes the cost of the care.
- You may change your DCAP election if you change providers and the new provider charges more (or less) for care.
- You may change your DCAP election amount if you begin or stop sending your dependent to daycare.
- You may change your DCAP election amount if your Dependent is age 13 and no longer qualifies for DCAP reimbursement. Please refer to the Summary Plan Description for more information.

Contact Information

If you have questions about Flexible Spending accounts, either Healthcare FSA or Dependent Care Assistance Program (DCAP), please contact Human Resources at 608-266-4615 or benefits@cityofmadison.com. Agency Payroll Clerks, Human Resources staff, or Central Payroll staff are also available to assist with online enrollment via ESS.