City of Madison

Human Resources Department

Date: November 9, 2026

2027 Plan Year Open Enrollment for Flexible Spending Accounts and the Parking Account Benefit is November 9, 2026 - November 20, 2026 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: 2027 Plan Year Flexible Spending Account Open Enrollment

It is your responsibility to read this memo before you submit any 2027 Plan Year election(s) for Flexible Spending Accounts (FSAs) or the Parking Account Benefit. This ensures you are making an informed decision about the 2027 Plan Year.

If you decide to participate in a Flex Spending Account and/or Parking Account for the 2027 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 Reminder

There are **two levels of authentication** for Employee Self Service (ESS) logins. In addition to your username and password, ESS login 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.

Introduction

The annual Flexible Spending Account Open Enrollment period is an opportunity for eligible employees to enroll in Flex Spending Account(s) **and/or** Parking Account Benefits for the 2027 Plan Year. Flex Spending Accounts and Parking Account Benefits allow you to designate **pre-tax dollars** to be taken from your paycheck(s) and used for eligible expenses incurred by qualified individuals.

The 2027 Plan Year will be **1/1/2027 to 12/31/2027**, with grace period(s) in early 2028. See p2 for details.

Open Enrollment Basics

Flex Spending and Parking Account enrollments/elections for the 2027 Plan Year must be made **via the Employee Self Service (ESS) portal** by logging into your account at https://cityofmadisonwi.munisselfservice.com/ess/default.aspx. **Paper/PDF forms are not accepted for Open Enrollment elections.**

Select 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 paystubs. 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 here: https://www.cityofmadison.com/human-resources/documents/benefits/2027PY_Flex_Open_Enrollment_ESS.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 (and employees on a consecutive Leave of Absence for the entire Flex Spending Open Enrollment period) 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

Flexible Spending Accounts (FSAs)

There are two types of accounts available for Flex Spending: **Healthcare Flex Spending Accounts** (also called Medical FSAs) and **Dependent Care Assistance Program (DCAP) Accounts**.

- **Healthcare 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.
- **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 (or your spouse) to work, look for work, or attend school full-time – for example, daycare expenses for a qualified dependent child under the age of 13.

The Parking Account Benefit

NEW! Starting in 2027, the City will offer a **Parking Account Benefit** to eligible employees. Parking Accounts allow eligible employees to defer pre-tax dollars to pay for their own qualified **work-related** parking expenses. This includes parking expenses incurred at work (such as meter or ramp parking costs) and work-related park-and-ride (expenses incurred at a location where you park and take public transportation to work).

IMPORTANT

Parking Account funds may **only** be used by the participating employee – expenses incurred by family members **are not eligible.**

Administrator

Total Administrative Services Corporation (TASC) will continue to be the third-party administrator for Healthcare FSA, DCAP Accounts, and Parking Account Benefits in the 2027 Plan Year.

2027 Plan Year Information

Plan Year + Grace Periods

The 2027 Plan Year is 1/1/2027 through 12/31/2027. There are also grace periods for reimbursement for eligible expenses incurred during the Plan Year. Please note that the grace period for FSAs is different from the grace period for the Parking Account Benefit.

Grace Period for FSAs

You have until March 15, 2028 to incur expenses against your 2027 Healthcare FSA and/or DCAP funds, and until March 31, 2028 to submit reimbursement requests for expenses incurred through March 15, 2028. During the grace period, claims for expenses incurred in 2027 should be submitted first. **Any funds unclaimed by March 31, 2028 will be forfeited.**

Grace Period for the Parking Account Benefit

You have until December 31, 2027 to incur expenses against your December Parking Account Benefit funds, and until January 31, 2028 to submit reimbursement requests for expenses incurred through December 31, 2027. **Any funds unclaimed by January 31, 2028 will be forfeited.**

Elections, Payroll Deductions, and Access to Contributions

For Flexible Spending Accounts (FSAs)

If you choose to enroll in a Healthcare FSA or DCAP account during Open Enrollment, you will make an **annual** election for the upcoming Plan Year based on your anticipated expenses and IRS limits. When you enter your election in ESS, you will choose the **per pay period dollar amount** you want to contribute to each account (your total annual election divided by 26 paychecks).

Your contributions will be deducted from **each** paycheck, **pre-tax***, throughout the Plan Year and cannot exceed the predetermined IRS annual maximum(s). (*See the box below for details on Wisconsin tax treatment of DCAP elections.)

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).

For the Parking Account Benefit

If you choose to enroll in a Parking Account during Open Enrollment, you will make a **monthly** election for the upcoming Plan Year based on your anticipated expenses and IRS limits. When you enter your election in ESS, you will choose the **per pay period dollar amount** you want to contribute to the account. Your contributions will be deducted **pre-tax** throughout the Plan Year and cannot exceed the predetermined IRS monthly maximum(s).

Because the Parking Account Benefit is subject to **monthly** limits from the IRS, deductions will be taken **twice a month** rather than on every paycheck. Parking Account Benefit deductions will not be taken on the two instances of a "third paycheck of the month" in 2027 (July 30 and December 30).

You will have access to your monthly Parking Account Benefit funds **as they are added to the account.**

2027 Plan Year IRS Limits

Healthcare Flexible Spending Account (FSA)

- $3,500.00 Individual **Annual** Maximum
- There is no Minimum annual election amount

If you will have access to a Health Savings Account (HSA) through your spouse, parent, or a former employer in 2027, you are **ineligible** to enroll in Healthcare FSA per IRS regulations.

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

Under current Wisconsin tax law, employees who elect more than $5,000 for DCAP will be subject to Wisconsin State income tax for any DCAP contributions in excess of $5,000 ($2,500 for married individuals filing separately). This **only** applies to elections in excess of $5,000, and is **only** true for State income tax. **No** DCAP contributions are subject to Federal income tax.

If you do not yet know whether you will need dependent care in 2027 (or you do not know if you will have dependent care available), **we recommend you do not enroll in DCAP during the Open Enrollment period.** Instead, we recommend you 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 p5-6 of this memo. If this applies to you, please determine your eligibility **before** electing DCAP.

Parking Account Benefit

- $350.00 **Monthly** Maximum

Please note that the IRS maximum for the Parking Account Benefit is the **monthly** maximum reimbursement allowed from the Parking Account, and **not** an annual maximum.

Reimbursements and the TASC FSA Payment Card

If you enroll in a Flexible Spending Account and/or a Parking Account Benefit for the 2027 Plan Year, TASC will provide you with an enrollment packet by mail or email in late December/early January.

If you enroll in Healthcare FSA and/or the Parking Account Benefit, you will receive a TASC Payment Card (debit card) that may be used for eligible expenses. If you are enrolled in both Healthcare FSA **and** a Parking Account Benefit, the card will determine the type of expense at time of use and will apply the expense to the correct account.

- If you were enrolled in Flex Spending in 2026 and have an existing TASC card, **you will not receive a new card.**

As you incur eligible expenses, please swipe your TASC 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 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).

- **For Parking Accounts:** your expenses incurred/submitted for each month cannot exceed the monthly IRS maximum.

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.

Midyear Election Changes

Midyear Changes to Flex Spending Accounts (FSAs)

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 your family situation changes, and you begin (or stop sending) your dependent to daycare as a result.
- 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.

Midyear Changes to the Parking Account Benefit

When your parking situation changes – for example, if you have begun to carpool and no longer need to pay for parking, your schedule changes, or your parking garage increases their rates – you may start, stop, or change a Parking Account election. When this occurs, you must complete and submit a change form to Human Resources **no later than the 21st of the current month** in order for the change to be effective in the following month (and onward). Please note that midyear election changes can only take effect **prospectively** – that is, they can only impact **future** paychecks.

Important Reminders

- Healthcare FSA, DCAP, and the Parking Account are all **separate accounts.** Funds cannot be transferred from one account to the other.
- Per current IRS rules, **an expense is incurred when the service is actually received,** not when you are billed for or pay for the service.
    - For **FSAs,** eligible claims must be incurred either 1) during the Plan Year, 2) during the grace period for the Plan Year, or 3) during the part of the Plan Year in which you are actively participating.
    - For **the Parking Account Benefit,** eligible claims must be **incurred during a given month** in order to be eligible for reimbursement from that month's Parking Account funds.
- 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), and impact **future** payroll deductions. See p4 for details.
- While Parking Account Benefit elections **cannot be refunded,** they **can** be stopped, started, or amended when you have a change in your parking situation midyear. Changes impact **future** payroll deductions, and must be submitted to Human Resources **by the 21st of the current month** in order to take effect in the following month. See p4 for details.
- Some services or products may require a **Letter of Medical Necessity (LMN)** to be eligible for reimbursement with Healthcare FSA. LMN requirements are **set by the IRS** and may change from year to year. If you are not sure whether a specific service or product will require an LMN, **check with TASC and your doctor before you enroll.**
- Under current Wisconsin tax law, employees who elect more than $5,000 for DCAP will be subject to Wisconsin State income tax for any DCAP contributions in excess of $5,000 ($2,500 for married individuals filing separately). This **only** applies to elections in excess of $5,000, and is **only** true for State income tax. **No** DCAP contributions are subject to Federal income tax.
- It is recommended that you save receipts for all expenses, as they may be required to substantiate claims with TASC and/or for tax filing purposes. The IRS (not TASC) sets the requirements for what constitutes sufficient documentation, and per IRS regulations, **it is the responsibility of the individual** to be able to substantiate all Flex Spending and Parking Account Benefit claims with sufficient documentation in the event of an audit.
- For more information, please refer to the Summary Plan Description (SPD) on the Open Enrollment website.

Certain Ineligible Expenses

Ineligible Expenses for Flexible Spending Accounts (FSAs)

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.

Health Savings Account (HSA)

If you will have access to a Health Savings Account (HSA) through a spouse, parent, or former employer in 2027, 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:

(see next page for list)

- 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.

Ineligible Expenses for the Parking Account Benefit

Family Members

Parking Account funds may **only** be used by the participating employee – expenses incurred by family members **are not eligible.**

Gas/Tolls/Ridesharing Services

Gas, tolls, and ridesharing services are **not** eligible for reimbursement with the Parking Account Benefit.

Advance Payment

Expenses must be **incurred within the Plan Year** to be eligible for reimbursement from the Parking Account. If you pay a bill in December – even if that bill is for a parking reservation for January – it is not eligible for reimbursement with 2027 funds. **You must pay the bill on or after January 1, 2027 for it to be a reimbursable expense for the Parking Account Benefit.**

Contact Information

If you have questions about Flexible Spending Accounts (FSAs) or the Parking Account Benefit, please contact Human Resources at 608-266-4615 or benefits@cityofmadison.com. Agency Payroll Clerks, Human Resources staff, and/or Central Payroll staff are also available to assist with online enrollment via ESS.