

State of California

M E M O R A N D U M

TO: PERSONNEL MANAGEMENT LIAISONS **DATE:** December 18, 2003
REFERENCE CODE: 2003-054

THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:

Accounting Officers
Budget Officers
Personnel Officers
Personnel Transactions Supervisors

FROM: Department of Personnel Administration
Policy and Operations Division

SUBJECT: Work and Family - Dependent Care Benefit: Nontaxable Subsidy
Reporting Process

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This memorandum is to advise you of the process to be used for nontaxable reporting for the Work and Family Dependent Care Benefit, a subsidy program which is administered through the FlexElect Program Dependent Care Reimbursement Account (DCRA). This subsidy first became available in 2003 and will continue until the program sunsets on June 30, 2005. The 2003 payment will issue during December 2003. For 2004 and 2005, payments are expected to issue during the first quarter of each year. Although this subsidy is not subject to taxation, it must be reported to the Internal Revenue Service (IRS).

The State Controller's Office (SCO) will process TC 38 accounting transactions and issue zero balance credit issue warrants for the Dependent Care Benefit to eligible State employees each FlexElect Program year, in an effort to meet IRS reportability requirements. The payment to the employee will be distributed to the employee's current department as of the Friday prior to the payment issue date. If the employee has left State service, it will be distributed to the employee's department at the time of separation. It is the department's responsibility to forward the warrant to the separated employee.

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If the employee changes departments after the warrant is issued, it is the department's responsibility to forward the warrant to the new department. **Please contact DPA prior to redepositing these Dependent Care Benefit warrants.**

The warrants will be paid from each employee's respective department appropriation. During the first week of the month following the payment, SCO Accounting will process a TC 38 transaction to transfer funds back to the department's appropriation for the corresponding year's payment. The TC 38 transaction will identify the year of the transfer and post the amount.

For additional information regarding the payroll reportability process, please refer to SCO's Payroll Letter #03-026 dated December 17, 2003.

For questions regarding the Dependent Care Benefit or the Work and Family Program, please have your designated personnel office staff person contact Rosanne McHenry. Payroll questions on this process may be directed to Sandra Young with SCO at (916) 324-1293 or syoung@sco.ca.gov.

Bob Painter, Chief
Policy and Operations Division