



## IC Memorandum 13-01

**To: KEHP Insurance Coordinators**

**From: Department of Employee Insurance (DEI)**

**Re: IRS 1099-C form for Flexible Spending and Health Reimbursement Account Non-Qualified Expenses**

**Date: January 10, 2013**

Kentucky Employees' Health Plan (KEHP) members who have used their Flexible Spending Account (FSA) or Health Reimbursement Account (HRA) for non-qualified expenses which were never reimbursed or substantiated will receive an IRS 1099-C form by January 31, 2013.

FSA and HRA accounts are funded with employee money on a pre-tax basis. The 1099-C is being issued per IRS guidelines for non-qualified expenses from one or more Plan Year(s) in 2009, 2010 and 2011. Based on IRS guidelines, the member will receive a 1099-C form for calendar year 2012 tax reporting purposes.

When funds are not substantiated or paid back in accordance with the law and plan rules, there are correction procedures in place to recoup money from participants. Humana, our plan administrator, requested documentation or repayment from these members for their FSA or HRA expense(s) multiple times.

**Attached is a copy of the letter sent to notify impacted members that they will receive the 1099-C form.** Please refer members with questions to their personal tax advisor or if they feel they received the 'canceled debt income' form in error, they can contact the Department of Employee Insurance at (888-581-8834).

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Department of Employee Insurance  
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