TO: Dr. Casey Nye, Superintendent

FROM: Dr. Kelley Strike, Assistant Superintendent of Operations

DATE: July 28, 2025

RE: HSA Reimbursement

In June, the district discovered that HSA contributions should be exempt from taxes including FICA/Medicare tax under its Section 125 plan. FICA/Medicare taxes have been applied to HSA deductions since 2010. A correction was made to no longer tax HSA deductions beginning with the first payroll in July of 2025.

As we explored options to correct this issue we learned that the statute of limitations for amendment and correction of these taxes is 3 years. In consultation with DPI and our auditor, we confirmed that we can book an entry for 3 years of reimbursement in the 24-25 school year. This will require action by the board to approve the reimbursement and revise the budget to account for the reimbursement.

The district will reimburse the FICA/Medicare tax to employees for 3 years (July 2022 - June 2025). The district will correct 941s and request a credit for 2025 only which does not require consent of the employee. The reimbursement will occur as soon as the business office is able to accurately complete the reimbursement, likely early September.
Reimbursement cost for 3 years: Approximately $408,000
District will receive a partial credit (approximately $74,000) for future FICA/Medicare expenses for 2025 deductions.

We will continue to explore options and confer with tax and legal experts in preparation for further discussion and/or action for further reimbursement at a future meeting date.

Approval is recommended.