

# INFORMATION

## Wellness Spending Account

### Taxation Changes for 2023

There are some important changes to the way tax will be applied to the Wellness Spending Account for 2023. Employees should be familiar with how these changes effect them before selecting this option.

Benefit plans that include Flexible Spending Accounts (FSA), provide employees with the option to allocate credits to a Health Spending Account (HSA), a Wellness Spending Account (WSA), or both. These accounts are treated differently when it comes to tax. Any benefits received from a WSA are considered a taxable benefit, whereas benefits from an HSA are non-taxable.

**2022 tax year** - for the 2022 tax year the university will take over the WSA tax reporting from Alberta Blue Cross. WSA claims reimbursed by Alberta Blue Cross with a paid date on or after January 1, 2022 will be reported to the university payroll department. The value of WSA claims paid between January 1, 2022 and December 31, 2022 will be included as a taxable benefit on your 2022 T4.

**2023 tax year** - beginning in January 2023, we will move to monthly reporting of WSA claims and appropriate tax deductions will be applied to your pay as claims are processed. As a taxable benefit, WSA claims are subject to CPP, EI and income tax in the period that it is reported. Therefore, this will have a direct impact to your net pay.

The following *'frequently asked questions'* will provide additional information.

### Frequently Asked Questions

#### **What is Changing for 2023?**

As of January 1, 2023 Alberta Blue Cross will begin reporting WSA claim payments to the university each month. The taxable benefit generated from these claims will then be applied to your paycheque on the following pay date.

#### **How does this affect my pay?**

A taxable benefit increases the statutory deductions on your paycheque. As a result, your net pay will be reduced due to the increased deductions.

#### **What are Statutory Deductions?**

These are deductions that the university is required by law to withhold from your pay. This includes Federal and Provincial income tax, Canada Pension Plan contributions, and Employment Insurance premiums.

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## **How much will my pay be reduced by?**

The amount of additional deductions depends upon amount of the WSA claim benefit received. Some examples are provided below to illustrate how this will affect your pay.

## **Will this amount also be reported on my 2023 T4?**

Yes, the taxable benefits applied in 2023 will be reported on your 2023 T4, as well as the additional statutory deductions applied on these amounts.

## **Will I be charged for the taxable benefit twice if I've had deductions on my paycheque and it is also reported on my year end tax return?**

No. Reporting the taxable benefit on your T4 does not create a second tax liability.

## **Can I choose to receive a T4A for taxable benefits and apply that to my tax return instead?**

No, all taxable benefits created from WSA claims will be applied to your paycheque.

## **Examples**

Below are examples of how a taxable benefit affects your net pay. Net pay is variable depending on whether CPP and EI maximum deductions have been reached as well as and on other deductions (e.g., parking).

**Example #1\***: For an annual salary of \$45,942, net pay after income tax, CPP and EI is about \$1,308. For an \$850 WSA claim, your net pay will reduce by \$292 to \$1,016. For a \$1,700 WSA claim, your net pay will decrease by \$606 to about \$702.

**Example #2\***: For an annual salary of \$74,279, net pay after income tax, CPP and EI is about \$1,632. For an \$850 WSA claim, your net pay will reduce by \$383 to \$1,249. For a \$1,700 WSA claim, your net pay will decrease by \$776 to about \$856.

**Example #3\***: For an annual salary of \$83,811, net pay after income tax, CPP and EI is about \$2,093. For an \$850 WSA claim, your net pay will reduce by about \$321 to \$1,772. For a \$1,700 WSA claim, your net pay will decrease by \$675 to about \$1,418.

**Example #4\***: For an annual salary of \$106,454, net pay after income tax, CPP and EI is about \$2,606. For an \$850 WSA claim, your net pay will reduce by about \$351 to \$2,254. For a \$1,700 WSA claim, your net pay will decrease by \$722 to about \$1,884.

*\*These examples are approximations for illustrative purposes and based on 2022 tax rates.*

This change applies only to WSA claims and not Health Spending Account, Extended Health Care or Dental claims. The claims reimbursement process will not change, and your claims will continue to be paid by Alberta Blue Cross.