

Benefit Bytes

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FLEX PLANS

213(D) MEDICAL EXPENSES

IRS Option Allows for Special Foods as a Section 213(d) Qualifying Medical Expense – But Should YOU?

IRS Information Letter 2011-0035 (Mar. 24, 2011) addresses when special foods purchased to treat a medical condition will qualify as a medical care expense under Code Section 213(d). The letter indicates that medical care expenses are amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting a structure or function of the body. The law excludes personal, family or living expenses unless they fall within this definition.

Section 213 further qualifies an expense based on:

- an individual’s motive or purpose for the expense,
- a physician’s diagnosis and recommendation,
- linkage between the treatment and the illness,
- the treatment effectiveness,
- its proximity in time to the onset or recurrence of the illness,
- the establishment that the expense would not have occurred “but for” the disease or illness,
- and only the excess cost of the special form of the item over the item’s normal cost is an eligible medical care expense

Specifically, a taxpayer who can establish the medical purpose of a special diet may deduct the excess cost (or reimburse it through the Flex Plan) if they can establish the medical purpose of the diet, such as through a physician’s diagnosis. Then to the extent the cost of the food for the special diet exceeds the cost of the food that satisfies a taxpayer’s normal nutritional needs if the special diet were not required, the excess cost is an expense for medical care under section 213(d).

Whew! Informational letters are not “binding,” however this can give an indication of how the IRS is leaning in terms of allowing this as an eligible expense. The letter reminds administrators of the importance of obtaining adequate and appropriate substantiation before reimbursing otherwise personal items, and highlights the challenges involved with special foods. *You may choose to design your plan to exclude these expenses because of the additional administrative burden.*

Please contact your BRI representative for additional information.

IRS Information Letter: <http://www.irs.gov/pub/irs-wd/11-0035.pdf>

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DID YOU KNOW?

Facts about the Flu

- The flu is a viral infection of the respiratory tract.
- People are typically contagious beginning one day before symptoms start and up to five to seven days after symptoms appear.
- Symptoms include: fever or chills; headache; fatigue; cough and/or sore throat; runny or stuffy nose; muscle or body aches; stomach ailments such as nausea, vomiting and diarrhea.
- The flu is spread primarily through germs when coughing, sneezing or talking close to others. It can also be spread if an individual touches a surface that was touched by an infected person, and then touches his/her own mouth, eyes or nose.
- Prevention: Vaccine (if appropriate for you); wash hands often; maintain a healthy immune system by not smoking, eating healthy food, exercising, taking a daily multivitamin, getting adequate sleep and controlling your stress level.

Reminders

The health care reform provision of extending coverage for adult children to age 26 does NOT apply to expenses reimbursed from a Health Savings Account (H.S.A.).

Even though the adult child may be eligible for coverage on the high deductible health plan (HDHP) the child must meet the definition of a tax dependent to be eligible for H.S.A. expense reimbursements.

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