

PLR ALLOWS HEALTH FSA REIMBURSEMENT OF GENETIC TESTING

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The Internal Revenue Service issued a Private Letter Ruling (PLR) stating that certain genetic testing services and related reports constitute medical care and may be reimbursed as an eligible medical expense under a health flexible spending account (Health FSA). With the recent rise of genetic testing services, individuals are able to obtain information on their ancestry and in some cases information on health predisposition and wellness reports, based on their DNA samples. The PLR makes it clear that *ancestry* portion of these services are not considered eligible medical expenses. Therefore taxpayers must allocate the cost of the DNA collection kit between the ancestry service and the health service using a percentage (cost of the health service / total cost of ancestry plus health service). The taxpayer may use a reasonable method to value and allocate the cost of the health services between services that are medical care (e.g., lab tests) and non-medical services (e.g., reports that provide general information). As with all PLRs, the IRS ruling is directed only to the taxpayer requesting it. However, as a result of this guidance, administrators of Health FSAs and Health Reimbursement Accounts may find that they will be asked to adjudicate these types of claims. PLR -132576-18

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