

AMOUNTS PAID FOR PERSONAL PROTECTIVE EQUIPMENT TREATED AS MEDICAL EXPENSE

Hodgson Russ Employee Benefits Newsletter
April 27, 2021

The IRS has announced that amounts paid for personal protective equipment (PPE) such as masks, hand sanitizer, and sanitizing wipes, purchased for the primary purpose of preventing the spread of COVID-19, will be treated as amounts paid for medical care under Section 213(d) of the Internal Revenue Code (Code). Therefore, if these amounts are not compensated for by insurance or health plans, are deductible under Section 213(a) of the Code provided that the taxpayer's total medical expenses exceed 7.5% of adjusted gross income.

Further, because these amounts are expenses for medical care under Section 213(d) of the Code, these amounts are eligible to be paid or reimbursed under health flexible spending arrangements (health FSAs), Archer medical savings accounts, health reimbursement arrangements (HRAs), and health savings accounts. If the amount is paid or reimbursed under one of these accounts or by a health plan, they are not deductible under Section 213(a) of the Code. If the terms of the group health plan, including health FSAs or HRAs, provide that expenses for COVID-19 PPE may not be reimbursed, the plan may be amended to provide for the reimbursement expenses for any period occurring on or after January 1, 2020. If an amendment is needed, this amendment must be adopted retroactively by December 31 of the first calendar year after the end of the plan year in which the amendment effective and, if the amendment is retroactive, by no later than December 31, 2022. IRS Announcement 2021-7 <https://www.irs.gov/pub/irs-drop/a-21-07.pdf>.

Attorneys

Peter Bradley
Michael Flanagan
Richard Kaiser
Ryan Murphy
Amy Walters

Practices & Industries

Employee Benefits