

Taxpayers Benefit from New IRS Ruling on Non-Prescription Drug Tax Relief, According to H&R Block

September 5, 2003 4:00 PM ET

KANSAS CITY, Mo.--(BUSINESS WIRE)--Sept. 5, 2003--A new IRS ruling will have Americans scrambling to find receipts for non-prescription drugs. Taxpayers can now submit those receipts for reimbursement through employer-sponsored medical flexible spending accounts, also known as "cafeteria plans."

"The ruling takes effect immediately and will require employers who offer flexible benefit plans to amend them." says Becky Miller, managing director national tax at RSM McGladrey Business Services, a subsidiary of H&R Block, that serves mid-sized businesses and their owners with tax, accounting and business consulting services.

Flexible spending accounts allow workers to pay for certain medical costs with pre-tax dollars. In the past, most plans limited reimbursable expenses to items eligible for the medical expense deduction on an individual's tax return - which excluded non-prescription drugs.

For an individual who annually submits \$100 of non-prescription drugs through a flexible benefit plan, this ruling could save the employee between \$20 and \$40 a year, and the employer almost \$8 in payroll taxes.

"The new ruling describes an eligible expense as something that treats a medical condition, rather than merely contributes to one's general well-being," says Miller. Eligible items include pain relievers, antacids, allergy medicine and cold medicine. The ruling excludes dietary supplements like vitamins.

"Responsibility for understanding the IRS ruling and interpreting it properly rests with a company's flexible benefit plan administrators," adds Miller.

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SOURCE: H&R Block