

## Got a cold? IRS says 'Gazunteit' in form of tax relief

Next time you're fighting a cold at your local pharmacy, save those receipts. You can now get reimbursed for over-the-counter medicine through employer-sponsored spending accounts, or "cafeteria plans."

### Consider it a "Get Well" wish from the IRS.

Medical flexible spending accounts allow employees 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 your tax return – which excluded non-prescription drugs. The new ruling took effect in late Fall, so employers who offer flexible benefit plans had to amend them.

So how much will you save if you chose a cafeteria plan? If you submit receipts for \$100 of non-prescription drugs through your flexible benefit plan, you'll save between \$20 and \$40 a year. Meanwhile, your employer will save nearly \$8 in payroll taxes.

The IRS ruling describes an eligible expense as something that treats a medical condition, rather than merely contributing to your general well being. Eligible items include pain relievers, antacids, allergy medicine and cold medicine. The ruling excludes dietary supplements like vitamins.

Why the change? Many drugs that used to be available only with a prescription can now be bought over-the-counter. Once these drugs are available without a prescription, many health plans quit covering their cost.

And while over-the-counter drugs cost less than prescription drugs, the cost to consumers increases because the counter price is often greater than their co-payment was when it was covered by insurance

If you opted for this plan for 2004, carefully gauge how much you want to

earmark for prescription drugs versus out-of-pocket co-pays for example. Remember that cafeteria plans abide by the "use it or lose it rule," meaning your employer keeps any funds leftover at the end of the year.

**/// If you participate in a medical flexible spending account, you may now be able to include over-the-counter drugs such as cough medicine and allergy medicine, however, diet aids and supplements are not included. ///**

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