



Face Masks, Hand Sanitizer, and PPE... oh, my!

On March 26, 2021, the Internal Revenue Service released Announcement 2021-7¹ indicating Personal Protective Equipment (PPE) purchased primarily to prevent the spread of Coronavirus 2019 (COVID-19) is an expense eligible for reimbursement under Internal Revenue Code (Code) § 213(d).

This guidance confirms such expenses are now eligible for reimbursement through Health Flexible Spending Accounts (Health FSAs), Health Reimbursement Arrangements (HRAs), Health Savings Accounts (HSAs) and Archer Medical Savings Accounts (Archer MSAs). Alternatively, amounts paid by an individual for such PPE – for use by the covered individual, that individual's eligible spouse, or eligible dependents – may be deducted under Code § 213(a) if (i) the individual's total medical expenses are more than 7.5% of adjusted gross income; and (ii) the amounts are not compensated by insurance or otherwise.

This is an exciting and long-awaited expansion to the current definition of eligible medical expenses. Since the beginning of the (still-ongoing) COVID-19 pandemic, medical professionals have recommended the use of face masks, hand-sanitizers, and disinfectants (e.g., wipes). With a specific health care provider's directive, they have been eligible for reimbursement, but have not been broadly eligible. This guidance confirms that the use of masks, hand sanitizer and sanitizing wipes specifically for the purpose of preventing the spread of COVID-19 are eligible. Note that the CDC provides guidance on specific products and ingredients that prevent the spread of the virus.

Plan Amendments and Effective Date

Under this guidance, a cafeteria plan sponsor may – at its discretion – amend its cafeteria plans to permit reimbursement of PPE expenses (again, intended for the primary purpose of preventing the spread of COVID-19) incurred in any period beginning on or after January 1, 2020 if such expenses are not currently permitted under the terms of the plan.

Plan sponsors wishing to implement this provision must adopt this amendment by the last day of the first calendar year beginning after the plan year in which the amendment is effective (e.g., a 2021 calendar-year plan must adopt this amendment by December 31, 2022).

Plan amendments that allow for the reimbursement of these expenses can be retroactive to January 1, 2020 provided that such a retroactive amendment is adopted no later than December 31, 2022 and the plan is operated in accordance with the amendment.

Amendments allowing for the reimbursement of these PPE expenses will not result in reimbursements failing to be excludable from gross income under Code § 105(b) or the plan failing to meet the otherwise applicable Code § 125 cafeteria plan requirements.

¹ <https://www.irs.gov/pub/irs-drop/a-21-07.pdf>



Conclusion

This is a welcome development and response to numerous advocacy efforts, including those of the HealthEquity Advocacy and Government Affairs team.

While healthcare debit cards may not be immediately available for use to reimburse these items, we will be working quickly to update the Special Interest Group for IIAS Standards (SIGIS) eligible expenses list to facilitate reimbursement of these PPE items. In the interim, covered individuals on plans that adopt this provision will be able to submit claims for reimbursement submitted along with appropriate substantiating documentation.