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Client Alert Applies To: Self-Funded, Fully-Funded, Large Group, and Small Group

April 2nd, 2021

Face Masks and Other PPE Are Deductible Medical Expenses

The Internal Revenue Service has issued [Announcement 2021-7](#), clarifying that amounts paid for certain personal protective equipment (PPE)—such as masks, hand sanitizer and sanitizing wipes—used for the primary purpose of preventing the spread of coronavirus (COVID-19) are deductible medical expenses. Therefore, amounts paid for COVID-19 PPE that are not compensated for by insurance or otherwise are deductible, provided that the taxpayer's total medical expenses exceed 7.5% of adjusted gross income.

Tax-Favored Accounts

In addition, as deductible medical expenses, amounts paid for COVID-19 PPE are also eligible to be paid or reimbursed under:

- Health flexible spending arrangements (FSAs);
- Archer medical savings accounts (Archer MSAs);
- Health reimbursement arrangements (HRAs); or
- Health savings accounts (HSAs).

However, if an amount is paid or reimbursed under any of the above accounts, it will not be considered a deductible medical expense.

Plan Amendments

Group health plans (including health FSAs and HRAs) may be amended pursuant to the announcement to provide for reimbursements of expenses for COVID-19 PPE incurred for any period beginning on or after Jan. 1, 2020. The amendment must be adopted by the last day of the calendar year following the plan year in which it is effective.

Please visit www.moreton.com/news-events/ for more information and to view other client alerts. This Client Alert was written by Carolyn Cox, who provides our clients with compliance services. For additional questions, please contact Carolyn at 801-715-7110 or ccox@moreton.com.

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