



## **ebs FLEXIBLE SPENDING ACCOUNT (FSA) FLEXIBLE BENEFITS PLAN-SAMPLE MEDICAL REIMBURSEMENT EXPENSES**

{Nothing contained in this list should be construed as legal advice. If you need legal advice or other expert assistance upon which you can rely, the services of a competent professional should be sought}

### **Important Changes**

Standard mileage rate. The standard mileage rate allowed for out-of-pocket expenses for your car when you use your car for medical reasons is now 13 cents a mile. See Transportation under What Medical Expenses Are Deductible.

Obesity as a disease. The cost of participation in a weight-loss program as a treatment for the disease of obesity is an amount paid for medical care. However, the cost of purchasing reduced-calorie diet foods is not a medical expense if these foods substitute for food you would normally consume to satisfy your nutritional requirements. For more information, see Weight-Loss Program under What Medical Expenses are Deductible and under What Expenses Are Not Deductible.

### **What Is the Definition of Medical Care?**

Medical care means amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, and for treatments affecting any part or function of the body. The medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness. Medical care expenses include the premiums you pay for insurance that covers the expenses of medical care, and the amounts you pay for transportation to get medical care.

### **What Medical Expenses Are Deductible?**

Following is a list of items that you can include in figuring your medical expense deduction. The items are listed in alphabetical order.

#### **Abortion**

You can include in medical expenses the amount you pay for a legal abortion.

#### **Acupuncture**

You can include in medical expenses the amount you pay for acupuncture.

#### **Alcoholism**

You can include in medical expenses amounts you pay for an inpatient's treatment at a therapeutic center for alcohol addiction. This includes meals and lodging provided by the center during treatment. You can also include in medical expenses transportation costs you pay to attend meetings of an Alcoholics Anonymous Club in your community if your attendance is pursuant to medical advice that membership in the Alcoholics Anonymous Club is necessary for the treatment of a disease involving the excessive use of alcoholic liquors.

#### **Ambulance**

You can include in medical expenses amounts you pay for ambulance service.

#### **Artificial Limb**

You can include in medical expenses the amount you pay for an artificial limb.

#### **Artificial Teeth**

You can include in medical expenses the amount you pay for artificial teeth.

**Autoette**

See Wheelchair, later.

**Birth Control Pills**

You can include in medical expenses the amount you pay for birth control pills prescribed by a doctor.

**Braille Books and Magazines**

You can include in medical expenses the part of the cost of Braille books and magazines for use by a visually-impaired person that is more than the cost of regular printed editions.

**Capital Expenses**

You can include in medical expenses amounts you pay for special equipment installed in your home, or for improvements, if their main purpose is medical care for you, your spouse, or a dependent. The cost of permanent improvements that increase the value of the property may be partly included as a medical expense. The cost of the improvement is reduced by the increase in the value of the property. The difference is a medical expense. If the value of the property is not increased by the improvement, the entire cost is included as a medical expense.

**Car**

You can include in medical expenses the cost of special hand controls and other special equipment installed in a car for the use of a person with a disability.

Special design. You can include in medical expenses the difference between the cost of a regular car and a car specially designed to hold a wheelchair.

Cost of operation. You cannot deduct the cost of operating a specially equipped car, except as discussed under Transportation, later.

**Chiropractor**

You can include in medical expenses fees you pay to a chiropractor for medical care.

**Christian Science Practitioner**

You can include in medical expenses fees you pay to Christian Science practitioners for medical care.

**Contact Lenses**

You can include in medical expenses amounts you pay for contact lenses needed for medical reasons. You can also include the cost of equipment and materials required for using contact lenses, such as saline solution and enzyme cleaner. See Eyeglasses and Eye Surgery, later.

**Crutches**

You can include in medical expenses the amount you pay to buy or rent crutches.

**Dental Treatment**

You can include in medical expenses the amounts you pay for dental treatment. This includes fees paid to dentists for X-rays, fillings, braces, extractions, dentures, etc.

**Disabled Dependent Care Expenses**

Some disabled dependent care expenses may qualify as medical expenses or as work-related expenses for purposes of taking a credit for dependent care. You can choose to apply them either way as long as you do not use the same expenses to claim both a credit and a medical expense deduction.

**Drug Addiction**

You can include in medical expenses amounts you pay for an inpatient's treatment at a therapeutic center for drug addiction. This includes meals and lodging at the center during treatment.

**Drugs**

See Medicines, later.

**Eyeglasses**

You can include in medical expenses amounts you pay for eyeglasses and contact lenses needed for medical reasons. You can also include fees paid for eye examinations.

**Eye Surgery**

You can include in medical expenses the amount you pay for eye surgery to treat defective vision, such as laser eye surgery or radial keratotomy.

**Fertility Enhancement**

You can include in medical expenses the cost of the following procedures to overcome your inability to have children.

- Procedures such as in vitro fertilization (including temporary storage of eggs or sperm).
- Surgery, including an operation to reverse prior surgery that prevents you from having children.

**Founder's Fee**

See Lifetime Care—Advance Payments, later.

**Guide Dog or Other Animal**

You can include in medical expenses the cost of a guide dog or other animal to be used by a visually-impaired or hearing-impaired person. You can also include the cost of a dog or other animal trained to assist persons with other physical disabilities. Amounts you pay for the care of these specially trained animals are also medical expenses.

**Health Institute**

You can include in medical expenses fees you pay for treatment at a health institute only if the treatment is prescribed by a physician and the physician issues a statement that the treatment is necessary to alleviate a physical or mental defect or illness of the individual receiving the treatment.

**Health Maintenance Organization (HMO)**

You can include in medical expenses amounts you pay to entitle you, or your spouse (if filing a joint return), or a dependent to receive medical care from a health maintenance organization. These amounts are treated as medical insurance premiums. See Insurance Premiums, later.

**Health Reimbursement Arrangement (HRA)**

A health reimbursement arrangement is an employer-funded plan that reimburses employees for medical care expenses and allows unused amounts to be carried forward. Because these reimbursements are not included in your income, you cannot include them in your medical and dental expenses on Schedule A (Form 1040).

**Hearing Aids**

You can include in medical expenses the cost of a hearing aid and the batteries you buy to operate it.

**Home Care**

See Nursing Services, later.

**Hospital Services**

You can include in medical expenses amounts you pay for the cost of inpatient care at a hospital or similar institution if the main reason for being there is to receive medical care. This includes amounts paid for meals and lodging. Also see Lodging, later.

**Insurance Premiums**

You can include in medical expenses insurance premiums you pay for policies that cover medical care. Policies can provide payment for:

- Hospitalization, surgical fees, X-rays, etc.,
- Prescription drugs,
- Replacement of lost or damaged contact lenses,

- Membership in an association that gives cooperative or so-called “free-choice” medical service, or group hospitalization and clinical care, or
- Qualified long-term care insurance contracts (subject to additional limitations). See Qualified Long-Term Care Insurance Contracts under Long-Term Care, later. If you have a policy that provides more than one kind of payment, you can include the premiums for the medical care part of the policy if the charge for the medical part is reasonable. The cost of the medical part must be separately stated in the insurance contract or given to you in a separate statement.

### **Laboratory Fees**

You can include in medical expenses the amounts you pay for laboratory fees that are part of your medical care.

### **Lead-Based Paint Removal**

You can include in medical expenses the cost of removing lead-based paints from surfaces in your home to prevent a child who has or has had lead poisoning from eating the paint. These surfaces must be in poor repair (peeling or cracking) or within the child’s reach. The cost of repainting the scraped area is not a medical expense. If, instead of removing the paint, you cover the area with wallboard or paneling, treat these items as capital expenses. See Capital Expenses, earlier. Do not include the cost of painting the wallboard as a medical expense.

### **Learning Disability**

You can include in medical expenses tuition fees you pay to a special school for a child who has severe learning disabilities caused by mental or physical impairments, including nervous system disorders. Your doctor must recommend that the child attend the school. See Schools and Education, Special, later. You can also include tutoring fees you pay on your doctor’s recommendation for the child’s tutoring by a teacher who is specially trained and qualified to work with children who have severe learning disabilities.

### **Legal Fees**

You can include in medical expenses legal fees you paid that are necessary to authorize treatment for mental illness.

However, you cannot include in medical expenses fees for the management of a guardianship estate, fees for conducting the affairs of the person being treated, or other fees that are not necessary for medical care.

### **Lifetime Care—Advance Payments**

You can include in medical expenses a part of a life-care fee or “founder’s fee” you pay either monthly or as a lump sum under an agreement with a retirement home. The part of the payment you include is the amount properly allocable to medical care. The agreement must require that you pay a specific fee as a condition for the home’s promise to provide lifetime care that includes medical care.

Dependents with disabilities. You can include in medical expenses advance payments to a private institution for lifetime care, treatment, and training of your physically or mentally impaired child upon your death or when you become unable to provide care. The payments must be a condition for the institution’s future acceptance of your child and must not be refundable.

Payments for future medical care. Generally, you are not allowed to include in medical expenses current payments for medical care (including medical insurance) to be provided substantially beyond the end of the year. This rule does not apply in situations where the future care is purchased in connection with obtaining lifetime care of the type described earlier.

### **Lodging**

You can include in medical expenses the cost of meals and lodging at a hospital or similar institution if your main reason for being there is to receive medical care. See Nursing Home, later.

### **Meals**

You can include in medical expenses the cost of meals at a hospital or similar institution if the main purpose for being there is to get medical care. You cannot include in medical expenses the cost of meals that are not part of inpatient care.

### **Medical Conferences**

You can include in medical expenses amounts paid for admission and transportation to a medical conference if the medical conference concerns the chronic illness of yourself, your spouse, or your dependent. The costs of the medical conference must be primarily for and necessary to the medical care of you, your spouse, or your dependent. You must spend the majority of your time at the conference attending sessions on medical information. The cost of meals and lodging while attending the conference is not deductible as a medical expense.

### **Medical Information Plan**

You can include in medical expenses amounts paid to a plan that keeps your medical information so that it can be retrieved from a computer data bank for your medical care.

### **Medical Services**

You can include in medical expenses amounts you pay for legal medical services provided by:

- Physicians,
- Surgeons,
- Specialists, or
- Other medical practitioners.

### **Medicines**

You can include in medical expenses amounts you pay for prescribed medicines and drugs. A prescribed drug is one that requires a prescription by a doctor for its use by an individual. You can also include amounts you pay for insulin. Except for insulin, you cannot include in medical expenses amounts you pay for a drug that is not prescribed.

Controlled substances. You cannot include in medical expenses amounts you pay for controlled substances (such as marijuana, laetrile, etc.) in violation of federal law.

### **Mentally Retarded, Special Home for**

You can include in medical expenses the cost of keeping a mentally retarded person in a special home, not the home of a relative, on the recommendation of a psychiatrist to help the person adjust from life in a mental hospital to community living.

### **Nursing Home**

You can include in medical expenses the cost of medical care in a nursing home or home for the aged for yourself, your spouse, or your dependents. This includes the cost of meals and lodging in the home if the main reason for being there is to get medical care. Do not include the cost of meals and lodging if the reason for being in the home is personal. You can, however, include in medical expenses the part of the cost that is for medical or nursing care.

### **Nursing Services**

You can include in medical expenses wages and other amounts you pay for nursing services. Services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse.

### **Operations**

You can include in medical expenses amounts you pay for legal operations that are not for unnecessary cosmetic surgery. See Cosmetic Surgery under What Expenses Are Not Deductible, later.

### **Optometrist**

See Eyeglasses, earlier.

### **Organ Donors**

See Transplants, later.

### **Osteopath**

You can include in medical expenses amounts you pay to an osteopath for medical care.

### **Oxygen**

You can include in medical expenses amounts you pay for oxygen and oxygen equipment to relieve breathing problems caused by a medical condition.

**Prosthesis**

See Artificial Limb, earlier.

**Psychiatric Care**

You can include in medical expenses amounts you pay for psychiatric care. This includes the cost of supporting a mentally ill dependent at a specially equipped medical center where the dependent receives medical care. See Psychoanalysis, next, and Transportation, later.

**Psychoanalysis**

You can include in medical expenses payments for psychoanalysis. However, you cannot include payments for psychoanalysis that you must get as a part of your training to be a psychoanalyst.

**Psychologist**

You can include in medical expenses amounts you pay to a psychologist for medical care. Schools and Education, Special. You can include in medical expenses payments to a special school for a mentally impaired or physically disabled person if the main reason for using the school is its resources for relieving the disability. You can include, for example, the cost of:

- Teaching Braille to a visually impaired child,
- Teaching lip reading to a hearing impaired child, or
- Giving remedial language training to correct a condition caused by a birth defect
- The cost of meals, lodging, and ordinary education supplied by a special school can be included in medical expenses only if the main reason for the child's being there are the resources the school has for relieving the mental or physical disability. You cannot include in medical expenses the cost of sending a problem child to a special school for benefits the child may get from the course of study and the disciplinary methods.

**Sterilization**

You can include in medical expenses the cost of a legal sterilization (a legally performed operation to make a person unable to have children).

**Stop-Smoking Programs**

You can include in medical expenses amounts you pay for a program to stop smoking. However, you cannot include in medical expenses amounts you pay for drugs that do not require a prescription, such as nicotine gum or patches, that are designed to help stop smoking.

**Surgery**

See Operations, earlier.

**Telephone**

You can include in medical expenses the cost and repair of special telephone equipment that lets a hearing-impaired person communicate over a regular telephone.

**Television**

You can include in medical expenses the cost of equipment that displays the audio part of television programs as subtitles for hearing-impaired persons. This may be the cost of an adapter that attaches to a regular set. It also may be the cost of a specially equipped television that exceeds the cost of the same model regular television set.

**Therapy**

You can include in medical expenses amounts you pay for therapy you receive as medical treatment. "Patterning" exercises. You can include in medical expenses amounts you pay to an individual for giving "patterning" exercises to a mentally retarded child. These exercises consist mainly of coordinated physical manipulation of the child's arms and legs to imitate crawling and other normal movements.

### **Transplants**

You can include in medical expenses payments you make for surgical, hospital, laboratory, and transportation expenses for a donor or a possible donor of a kidney or other organ. You cannot include expenses if you did not pay for them. A donor or possible donor can include surgical, hospital, laboratory, and transportation expenses in medical expenses only if he or she pays for them.

### **Transportation**

You can include in medical expenses amounts paid for transportation primarily for, and essential to, medical care.

You can include:

- Bus, taxi, train, or plane fares or ambulance service,
- Transportation expenses of a parent who must go with a child who needs medical care,
- Transportation expenses of a nurse or other person who can give injections, medications, or other treatment required by a patient who is traveling to get medical care and is unable to travel alone, and
- Transportation expenses for regular visits to see a mentally ill dependent, if these visits are recommended as a part of treatment.

You cannot include:

- Transportation expenses to and from work, even if your condition requires an unusual means of transportation, or
- Transportation expenses if, for non-medical reasons only, you choose to travel to another city, such as a resort area, for an operation or other medical care prescribed by your doctor.

Car expenses. You can include out-of-pocket expenses for your car, such as gas and oil, when you use your car for medical reasons. You cannot include depreciation, insurance, general repair, or maintenance expenses. If you do not want to use your actual expenses, you can use a standard rate of 13 cents a mile for use of your car for medical reasons.

You can also include the cost of parking fees and tolls.

### **Trips**

You can include in medical expenses amounts you pay for transportation to another city if the trip is primarily for, and essential to, receiving medical services. You may be able to include up to \$50 per night for lodging. See Lodging, earlier.

### **Tuition**

You can include in medical expenses charges for medical care included in the tuition of a college or private school, if the charges are separately stated in the bill or given to you by the school. See Learning Disability, earlier, and Schools and Education, Special, earlier.

### **Vasectomy**

You can include in medical expenses the amount you pay for a vasectomy.

### **Weight-Loss Program**

You can include in medical expenses amounts you pay to lose weight if it is a treatment for a specific disease diagnosed by a physician (such as obesity, hypertension, or heart disease). This includes fees you pay to join a weight reduction group and attend periodic meetings. But you cannot include membership dues in a gym, health club, or spa. You cannot include the cost of diet food or beverages in medical expenses because that substitutes for what you normally consume to satisfy your nutritional needs. (You can include the cost of special food in medical expenses only if:

- 1) The food does not satisfy your normal nutritional needs,
- 2) The food alleviates or treats an illness, and
- 3) The need for the food is substantiated by a physician.

The amount you can include in medical expenses is limited to the amount by which the cost of the special food exceeds the cost of a normal diet.) See also Weight-Loss Program under What Expenses Are Not Deductible, later.

**Wheelchair**

You can include in medical expenses amounts you pay for an autoette or a wheelchair used mainly for the relief of sickness or disability, and not just to provide transportation to and from work. The cost of operating and keeping up the autoette or wheelchair is also a medical expense.

**Wig**

You can include in medical expenses the cost of a wig purchased upon the advice of a physician for the mental health of a patient who has lost all of his or her hair from disease.

**X-ray**

You can include in medical expenses amounts you pay for X-rays that you get for medical reasons.

**What Expenses Are Not Deductible?**

Following is a list of some items that you cannot include in figuring your medical expense deduction. The items are listed in alphabetical order.

**Baby Sitting, Child Care, and Nursing Services for a Normal, Healthy Baby**

You cannot include in medical expenses amounts you pay for the care of your children even if the expenses enable you to get medical or dental treatment. Also, any expense allowed as a child care credit cannot be treated as an expense paid for medical care. See also Healthy baby under Nursing Services, earlier.

**Controlled Substances**

You cannot include in medical expenses amounts you pay for controlled substances (such as marijuana, laetrile, etc.), in violation of federal law.

**Cosmetic Surgery**

Generally, you cannot include in medical expenses the amount you pay for unnecessary cosmetic surgery. This applies to any procedure that is directed at improving the patient's appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or disease. Procedures such as face lifts, hair transplants, hair removal (electrolysis), and liposuction generally are not deductible.

You can include in medical expenses the amount you pay for cosmetic surgery if it is necessary to improve a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease.

**Dancing Lessons**

You cannot include the cost of dancing lessons, swimming lessons, etc., even if they are recommended by a doctor, if they are only for the improvement of general health.

**Diaper Service**

You cannot include in medical expenses the amount you pay for diapers or diaper services, unless they are needed to relieve the effects of a particular disease.

**Electrolysis or Hair Removal**

See Cosmetic Surgery, earlier.

**Funeral Expenses**

You cannot include in medical expenses amounts you pay for funerals. However, funeral expenses may be deductible on the decedent's federal estate tax return.

**Hair Transplant**

See Cosmetic Surgery, earlier.

**Health Club Dues**

You cannot include in medical expenses health club dues, YMCA dues, or amounts paid for steam baths for your general health or to relieve physical or mental discomfort not related to a particular medical condition. You cannot include in medical expenses the cost of membership in any club organized for business, pleasure, recreation, or other social purpose.

**Health Insurance Credit**

You cannot include in medical expenses amounts you pay for health insurance that you use in figuring your health insurance credit. For more information, see Health Insurance Credit, later.

**Household Help**

You cannot include in medical expenses the cost of household help, even if such help is recommended by a doctor. This is a personal expense that is not deductible. However, you may be able to include certain expenses paid to a person providing nursing-type services. Also, certain maintenance or personal care services provided for qualified long-term care can be included in medical expenses.

**Illegal Operations and Treatments**

You cannot include in medical expenses amounts you pay for illegal operations, treatments, or controlled substances whether rendered or prescribed by licensed or unlicensed practitioners.

**Insurance Premiums for Certain Types of Policies**

See Insurance Premiums under What Medical Expenses Are Deductible, earlier.

**Maternity Clothes**

You cannot include in medical expenses amounts you pay for maternity clothes.

**Medical Savings Account (MSA)**

You cannot deduct as a qualified medical expense amounts you contribute to an Archer MSA. You cannot deduct qualified medical expenses as an itemized deduction if you pay for them with a tax-free distribution from your Archer MSA. You also cannot use other funds equal to the amount of the distribution and claim a deduction. For more information on Archer MSAs, see Publication 969, Medical Savings Accounts (MSAs).

**Nutritional Supplements**

You cannot include in medical expenses the cost of nutritional supplements, vitamins, herbal supplements, "natural medicines," etc., unless you can only obtain them legally with a physician's prescription.

**Personal Use Items**

You cannot include in medical expenses an item ordinarily used for personal, living, or family purposes unless it is used primarily to prevent or alleviate a physical or mental

**Nonprescription Drugs and Medicines**

Except for insulin, you cannot include in medical expenses amounts you pay for a drug that is not prescribed to relieve a defect or illness.

**Swimming Lessons**

See Dancing Lessons, earlier.

**Weight-Loss Program**

You cannot include the cost of a weight-loss program in medical expenses if the purpose of the weight control is not treatment of a specific ailment or disease diagnosed by a physician, but rather to improve your appearance, your general health, or your sense of well-being. Also, you cannot include the cost of diet food items in medical expenses if the food is a substitute for the food you normally consume to satisfy your nutritional needs. See also, Weight-Loss Program under What Medical Expenses Are Deductible, earlier.