

Publications

IRS Expands Use of Debit/Credit Card Technology for Health Plans and Dependent Care Assistance Programs

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Treasury and the IRS have taken a positive step toward relaxing some of the cumbersome paper receipt substantiation requirements that apply when debit/credit cards are used with health flexible spending arrangements (FSAs) and Health Reimbursement Arrangements (HRAs). In Notice 2006-69, issued on July 11, 2006, the IRS expanded the automatic substantiation rules of Revenue Ruling 2003-43 by adding three new methods for substantiating claimed medical expenses without the use of paper receipts one of which is an “inventory information approval system” that will allow paperless debit/credit card purchases of over-the-counter drugs.

The Notice also provides new guidance regarding the use debit/credit cards for dependent care assistance expenses.

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