



OFFICE OF THE CHIEF COUNSEL

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

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The Honorable Kelly Loeffler  
United States Senator  
One Overton Park, Suite 970  
3625 Cumberland Boulevard  
Atlanta, GA 30339

Attention:

Dear Senator Loeffler:

I am responding to your inquiry dated November 16, 2020, on behalf of your constituent, [REDACTED], explained that a plan administrator, [REDACTED], requested documentation to substantiate medical expenses paid with a debit card linked to a health flexible spending arrangement (FSA) under a Section 125 cafeteria plan. [REDACTED] also explained that [REDACTED] deactivated his wife's health FSA debit card after she did not provide the requested documentation. [REDACTED] asked if IRS can stop from requesting documentation for medical expenses paid with the debit card linked to the health FSA.

Medical expenses paid or reimbursed from a health FSA are excludible from gross income. Medical expenses paid or reimbursed from a health FSA must be verified by an independent third-party that substantiates the expenses.<sup>1</sup> Substantiation for medical expenses includes information describing the service or product, the date of the service or sale, and the amount of the expense.

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<sup>1</sup> See Rev. Rul. 2003-43, 2003-21 I.R.B. 935; Notice 2006-69, 2006-31 I.R.B. 107.

There are special rules for medical expenses reimbursed with a debit card. These rules take into account the information a debit card transaction provides. Some debit card transactions require additional information to fully substantiate that the expense is a medical expense. For example, a debit card transaction may collect information about the amount of the transaction, a general category of the merchant providing services, and the specific merchant providing the services, but may not identify the specific items or services provided in the transaction. If the information provided during the debit card transaction does not satisfy the substantiation requirements, the plan administrator must request additional information to substantiate the medical expense. The plan administrator must deactivate the debit card if the medical expense is not timely substantiated. For more information about debit card reimbursements, see IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans on IRS.gov at [www.irs.gov/pub/irs-prior/p969--2019.pdf](http://www.irs.gov/pub/irs-prior/p969--2019.pdf).

An employer's health FSA may impose more stringent standards to ensure that health FSAs are used only to pay or reimburse medical expenses. Also, your constituent may want to contact the employer or plan administrator to ask how his wife can submit a claim for reimbursement directly to the plan with the documentation that the plan requires.

I hope this information is helpful. If you have additional questions, please contact me at  
or at .

Sincerely,

Denise Trujillo  
Branch Chief, Health and Welfare  
Office of Associate Chief Counsel  
(Employee Benefits, Exempt Organizations, and  
Employment Taxes)