

Rev. Rul. 67-360

SECTION 106. - CONTRIBUTIONS BY EMPLOYER TO ACCIDENT AND HEALTH PLANS

26 CFR 1.106-1: Contributions by employer to accident and health plans.

1967-2 C.B. 71

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Amounts paid by an employer as premiums for supplementary medical insurance (Medicare) for his employees are excludable from the gross income of the employees under section 106 of the Internal Revenue Code of 1954.

Advice has been requested whether amounts paid by an employer as premiums for supplementary medical insurance (Medicare) are excludable from the gross income of the employees under section 106 of the Internal Revenue Code of 1954.

Title XVIII of the Social Security Act, Public Law 89-97, 42 U.S.C. 1395, provides a hospital insurance program for the aged with a supplementary medical benefits program and an expanded program of medical assistance.

Section 106 of the Code provides that gross income does not include contributions by the employer to accident or health plans for compensation (through insurance or otherwise) to his employees for personal injuries or sickness.

Section 1.106-1 of the Income Tax Regulations provides that the employer may contribute to an accident or health plan either by paying the premium (or a portion of the premium) on a policy of accident or health insurance covering one or more of his employees, or by contributing to a separate trust or fund, which provides accident or health benefits directly or through insurance to one or more of his employees.

In the instant case, the employer pays the monthly insurance premiums for supplementary medical insurance for all his employees over 65 years of age.

Accordingly, amounts paid by the employer as premiums for supplementary medical insurance (Medicare) for his employees are excludable from the gross income of the employees under section 106 of the Code. See Revenue Ruling 61-146, C.B. 1961-2, 25, relating to amounts paid by an employer as his share of premiums for hospital and medical insurance for his employees.