



SPIEGEL ACCOUNTANCY CORP
CERTIFIED PUBLIC ACCOUNTANTS

Beginning January 1, 2011, distributions from FSA's, HSAs, HRA's or MSA's **cannot be used to purchase over-the-counter medicines**. The 2010 Health Care Act limits the tax-free reimbursement of qualified medical expenses to **doctor-prescribed** drugs and insulin.

This change applies to over-the-counter items like antacids, acid reducers; allergy medicines, first-aid products, antihistamines, cough medicine, decongestants, laxatives, pain relievers, smoking cessation programs, aspirin, contact lens solutions, etc. *(Please note that these items will still qualify if you obtain a doctor's prescription for them.)*

The new rule does not apply to items for medical care that are not medicines or drugs. Equipment such as crutches, supplies such as bandages, and diagnostic devices such as blood sugar test kits will still qualify, regardless of whether the items are purchased using a prescription.

At the same time, the penalty for when distributions from HSA/MSA are misused has been increased from 10% to 20% of the disbursed amount.

Congress is being lobbied by industry groups such as the National Association of Chain Drug Stores and the Consumer Health Care Products Association to repeal, or at least delay implementation of, this law. If anything changes, we'll let you know as soon as possible.

As always, please feel free to contact Jeff Spiegel, Joe Peterson, or Donna Stone if you have further questions regarding this issue.

Spiegel Accountancy Corp.
2033 North Main Street, Suite 365
Walnut Creek, CA 94596
(925) 977-4000 phone

jeff@spiegelcorp.com
joe@spiegelcorp.com
donna@spiegelcorp.com