

New IRS Rule on FSA/HRA Debit Cards

An Internal Revenue Service regulation on the use of debit cards for flexible spending accounts (FSA) and health reimbursement arrangements (HRA) at stores with the drug stores and pharmacies merchant drug category code takes effect January 1.

By then, drug stores and pharmacies are required to have an inventory information approval system (IIAS), unless 90% of the store's gross receipts for the prior taxable year consisted of items that qualified as medical care expenses. That includes prescriptions and certain over the counter items such as bandages, antacids, allergy medicine, pain relievers, and cold medicines. It does not include vitamins.

Some organizations are erroneously advising pharmacists that all pharmacies must have an IIAS system. Some inaccurate information states that the IRS requires all pharmacies to have an IIAS system. Neither are correct. NCPA met with the IRS last month and has requested lowering the 90% threshold.

Remember your store's gross receipts are the key to determining whether you need to have an IIAS. NCPA is seeking further guidance as to the mechanism for you to communicate your 90% status to the necessary parties. NCPA has created a [list of FAQ's](#) on this topic and will provide updates as they become available.