

Does FSA Cover COVID-19 Home Tests? IRS Says 'Yes'

The Internal Revenue Service recently issued a reminder to taxpayers that the cost of home testing for COVID-19 is an eligible medical expense that can be paid or reimbursed under Healthcare Flexible Spending Accounts (Healthcare FSAs), Health Savings Accounts (HSAs), and Health Reimbursement Arrangements (HRAs). That is because the cost to diagnose COVID-19 is an eligible medical expense for tax purposes. This is particularly helpful for anyone who cannot travel for in-person COVID-19 testing or for those who may be traveling and would like fast testing options should the need arise.

Also included in the IRS communication was a reminder that the costs of personal protective equipment (PPE), such as masks, hand sanitizer and sanitizing wipes, for the primary purpose of preventing the spread of COVID-19 are eligible medical expenses that can be paid or reimbursed under Healthcare FSAs, HSAs, and HRAs. Additional information is available on IRS.gov.

Participants and employers often wonder “What does FSA cover?”, especially with the advent of COVID-19 home tests. BASIC offers a brief list of common FSA eligible expenses for which your funds can be used, including copayments, coinsurance, deductibles, dental and vision expenses, OTC medicines and products, and much more. Another FSA eligible expense resource can be found on our blog. It’s also important to know how your FSA plan is set up once the plan year ends. FSAs can be set up with a Use It or Lose It policy, where funds are forfeited at the end of the plan year. Other options are rollover or grace period. FSA rollover lets a certain amount of leftover funds to be carried into the next plan year (up to \$550), while FSA grace period allows participants up to 2 and ½ months to continue using their FSA funds when the plan year ends.

