

### Legal Update: Face Masks and Other PPE Treated as Deductible Medical Expenses

The Internal Revenue Service has issued [Announcement 2021-7](#), clarifying that amounts paid for certain personal protective equipment (PPE)—such as **masks, hand sanitizer and sanitizing wipes**—used for the primary purpose of preventing the spread of coronavirus (COVID-19) are deductible medical expenses.

Therefore, amounts paid for COVID-19 PPE that are not compensated for by insurance or otherwise are deductible, provided that the taxpayer's total medical expenses exceed 7.5% of adjusted gross income.

#### Tax-favored Accounts

Amounts paid for COVID-19 PPE are also eligible to be paid or reimbursed under:

- Health flexible spending arrangements (FSAs);
- Archer medical savings accounts (Archer MSAs);
- Health reimbursement arrangements (HRAs); or
- Health savings accounts (HSAs).

However, if an amount is paid or reimbursed under any of the above accounts, or any other health plan, it will not be considered a deductible medical expense.

#### Plan Amendments

Group health plans (including health FSAs and HRAs) may be amended pursuant to the announcement to provide for reimbursements of expenses for COVID-19 PPE incurred for **any period beginning on or after Jan. 1, 2020** if certain requirements are satisfied. Group health plans can be amended to provide for reimbursements of COVID-19 PPE expenses pursuant to the announcement if:

- The amendment is adopted by the last day of the first calendar year following the plan year in which it is effective;
- The plan is operated consistently with the amendment terms until the amendment is adopted; and
- No amendment with retroactive effect is adopted after Dec. 31, 2022.