



Are Non-Prescription or “Over-the-Counter drugs considered “qualified medical expenses” that are eligible for tax-free distributions under a HSA?

In IR-2003-108, the IRS announced that cost of over-the-counter drugs available without prescription can be paid for with pre-tax dollars through health care flexible spending accounts, which includes a HSA.

However, for purposes of the itemized medical expenses deduction, the cost of such over-the-counter drugs continues to be non-deductible. In addition, the cost of dietary supplements that are merely beneficial to the employee's health are not excluded from income. Note, the term “qualified medical expenses” are expenses paid by the account beneficiary, his or her spouse or dependents for medical care as defined in section 213(d) (including nonprescription drugs as described in Rev. Rule. 2003-102, and 2003-38 I.R.B. 559), but only to the extent the expenses are not covered by insurance or otherwise.

The below are examples of over-the-counter drugs that can (and can not) be considered for tax-free distributions under a HSA health plan.

Note, with a statement from your Doctor that the product is medically necessary, some ineligible drugs could be considered Eligible!

<p style="text-align: center;">Eligible Over-the-Counter Drugs (For HSA Distributions)</p> <p style="text-align: center;">Antacids Allergy Medications Pain Relievers Cold medicine Anti-diarrhea medicine Cough drops and throat lozenges Sinus medications and nasal sprays Nicotine medications and nasal sprays Pedialyte for child dehydration First aid creams Calamine lotion Stop-smoking programs Wart removal medication Antibiotic ointments Suppositories and creams for hemorrhoids Sleep aids Motion sickness pills</p>	<p style="text-align: center;">Ineligible Over-the-Counter Drugs</p> <p style="text-align: center;">Toiletries (including toothpaste) Acne treatments Lip balm (including chapstick or carmex) Cosmetics (face cream and moisturizer) Suntan lotion Medicated shampoos and soaps Vitamins (daily) Fiber supplements Dietary supplements Weight loss drugs for general well being Herbs</p>
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