TaxNewsFlash

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Proposed regulations: Treatment of certain medical care arrangements under section 213

The U.S. Treasury Department and IRS this afternoon released a notice of proposed rulemaking (REG-109755-19) under section 213 regarding the tax treatment of amounts paid for certain medical care arrangements—including direct primary care arrangements, health-care sharing ministries, and certain government-sponsored health care programs.

These **proposed regulations** [PDF 313 KB] were issued following an executive order (June 2019) in which the president directed the Treasury Secretary to "propose regulations to treat expenses related to certain types of arrangements, potentially including direct primary care arrangements and healthcare sharing ministries, as eligible medical expenses" under section 213(d).

As noted in the preamble to this afternoon's release, these proposed regulations have been developed in response to the executive order. The regulations propose that:

- Expenditures for direct primary care arrangements and health-care sharing ministry memberships are amounts paid for medical care as defined in section 213(d), and that amounts paid for these arrangements may be deductible medical expenses under section 213(a); and

- Amounts paid for certain arrangements and programs, such as health maintenance organizations (HMO) and certain government-sponsored health care programs, are amounts paid for medical insurance under section 213(d)(1)(D)

These proposed regulations do not affect the tax treatment of any medical care arrangement that currently qualifies as medical care under section 213(d).

The proposed regulations were published in the Federal Register on June 10, 2020. Comments and requests for a public hearing must be received by August 10, 2020.

Read a related IRS release—**IR-2020-116** (June 8, 2020).

Direct comments, including requests for subscriptions, to Washington National Tax. For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.