
Lidia Carr Law Offices, LLC Newsletter - October 2010



Recent Tax Developments

The following is a summary of a couple of tax developments that occurred in the past three months and affect individuals.

Over-the-counter drug costs will no longer be reimbursable

Effective January 1, 2011, unless prescribed medicine or insulin, the cost of over-the-counter medicines cannot be reimbursed from flexible spending arrangements, health reimbursement arrangements, Health Savings Accounts and Archer Medical Savings Accounts. The Internal Revenue Service (IRS) has issued guidance explaining that an individual may be reimbursed for over-the-counter medicines or drugs, so long as the individual obtains a prescription for the medicines or drugs. Expenses incurred for over-the-counter medicines or drugs purchased without a prescription before January 1, 2011, may be reimbursed tax-free at any time by an employer-provided plan under the terms of the employer's plan.

Relief for homeowners with corrosive drywall

The IRS is allowing individuals with corrosive drywall to apply a safe harbor formula to treat the costs of repairing the defective drywall as a casualty loss. In the case of any individual who pays to repair damage to his personal residence or household appliances that results from corrosive drywall, the IRS won't challenge his treatment of damage resulting from corrosive drywall as a casualty loss if the loss is determined and reported under the safe harbor rule. A taxpayer who does not have a pending claim for reimbursement may claim as a loss all unreimbursed amounts paid during the tax year to repair damage to his personal residence and household appliances resulting from corrosive drywall. A taxpayer who has a pending claim (or intends to pursue reimbursement) may claim a loss for 75% of the unreimbursed amount paid during the tax year.

IRS Circular 230 Notice

To the extent that this message, and/or any attachments, concern tax matters, they are not intended to be used and cannot be used by you for the purposes of avoiding penalties that may be imposed by law.

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