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BLOG

Recent IRS Ruling Clarifies Tax Treatment of Genetic Testing Services

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A recent IRS ruling (PLR 132576-18) issued to 23andMe, Inc., has clarified that certain genetic testing services may constitute medical care for purposes of Section 213(d) of the Internal Revenue Code (the Code). This means that expenses for qualified genetic testing services can be submitted for reimbursement to health care flexible spending accounts and health savings accounts or deducted as expenses paid for medical care subject to IRS limits.

Because the genetic testing services included items that are considered medical care (such as genotyping and laboratory services), and items that are not considered medical care (such as general informational reports for purposes of determining ancestry), the IRS required an allocation of the price paid for the DNA collection kit and health services between medical and non-medical items and services to determine the portion that constitutes Section 213(d) medical expenses.

The IRS based its ruling on several prior revenue rulings which addressed the treatment under Section 213(d) of fees paid for storage of medical information in a computer data bank and fees paid for diagnostic and similar procedures and devices, such as full-body scans and pregnancy tests, performed without a physician's recommendation and without the individual having experienced any symptoms of illness or disease.

As the lines between general health and wellbeing and medical care blur, this guidance provides a useful roadmap in determining which portion of bundled services and items typically packaged together as direct-to-consumer products qualify as medical care and may have further application in other areas, such as the use of personal electronic devices for monitoring health.

While IRS private letter rulings may only be relied upon by the taxpayer who requested the ruling, they are informative about the IRS's viewpoint on the issue.

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