



VitaFlex Debit Card Information Important Changes for the 2008 Plan Year

Background

The IRS is concerned about employees purchasing ineligible items using their debit card. This concern is focused on merchants that sell non-health care related items, such as food or electronics.

The IRS provided guidance this year which clarified that the debit card can *only* be used at merchants that have implemented an Inventory Information Approval System (IIAS). This is a special inventory system which allows expenses to be verified as eligible at the checkout counter.

The Problem

Many debit card vendors are allowing employees to purchase items at stores where this special inventory system has not been implemented, such as Nob Hill Supermarket. The IRS understands the reality of this practice and has given merchants in the industry a deadline to comply with the guidance.

How Does This Work?

This special inventory system codes each item in the store as eligible or ineligible under a Health Flexible Spending Account. Ineligible items are not allowed to be purchased using a Flexible Spending Account debit card. For example, you will be allowed to purchase a bottle of Nyquil using your Flexible Spending Account debit card but not a bottle of vitamins. If you try and purchase an ineligible item, your card will be declined.

What Does This Mean For You?

Effective January 1, 2008. You will not be able to use your debit card at non-health care merchants such as supermarkets, grocery stores, discount stores, and wholesale clubs that do not have this special inventory system in place. Your card will be declined at stores that have not implemented this system and you will have to provide another form of payment.

Debit Card Resources

The VitaFlex website now has a debit card section with different resources and tools. In this area, you will find a link to a list of merchants who have implemented this special inventory system. Many vendors are moving in this direction and will have implemented this system by January 1, 2008. Please visit our website at www.vitaflex.net, click on the "Debit Card Tools" section and choose the link labeled "Stores Where Card-Use is Easy" for an up to date list.

Contact VitaFlex

Please contact VitaFlex if you have any questions. We can be reached via e-mail at flex@vitamail.com or via phone at (650) 966-1492 or (800) 424-3052.