

Revenue Ruling 71-588

Section 105.- Amount Received Under Accident and Health Plan

Amount reimbursed under an accident and health plan covering all bona fide employees, including the owner's wife, and their families are not includible in the employee's gross income and are deductible by the owner as business expenses.

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The taxpayer operated a business as a sole proprietorship with several bona fide fulltime employees including his wife. The taxpayer had an accident and health pan covering all employees and their families. During 1970 two employees, including his wife, incurred expenses for medical care for themselves, their spouses, and their children, and were reimbursed pursuant to the plan. The reimbursed amounts qualified both as amounts received under an accident or health plan for employees within the meaning of section 105(e) of the Internal Revenue Code of 1954 and as amounts described in section 105(b) of the Code. Held, the reimbursed amounts received by the employees are not includible in their gross income pursuant to section 105(b) of the Code and these amounts are deductible by the taxpayer as a business expense under section 162(a) of the Code.

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26 CFR 1.105-2: Amount expended for medical care
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