



IRS Changes Affecting Your PayFlex Card

Since January 1, 2008, the Internal Revenue Service (IRS) identified which merchants would be qualified to accept healthcare cards (such as the PayFlex™ Card). The IRS has since issued additional rules specifying where healthcare cards can be used. **As of July 1, 2009**, the PayFlex™ Card will only be accepted at:

- Healthcare-related merchants, such as physician and dentist offices, vision care providers and hospitals.
- Non-healthcare related merchants, such as grocery stores, discount stores, wholesale clubs, web-based merchants (ie. drugstore.com) that use an IRS-approved inventory information approval system.
- Drug stores and retail pharmacies that have implemented an IRS-approved inventory information approval system or satisfy the IRS' 90 percent rule. The 90 percent rule means that 90 percent of the store's income consists of eligible healthcare expenses. Please note that the decision to comply with the IRS' requirements is made by the individual drug store or pharmacy.
- All Walgreens locations will continue to accept the PayFlex Card due to implementing their own IRS-approved proprietary system. Please note Walgreens will not be listed on the SIGIS merchant listings available via the links below.

In all cases, the merchant must accept MasterCard® in order for the PayFlex Card to work.

Check to see if you will still be able to use your PayFlex Card at your pharmacy or drug store by clicking on the links below:

[Listing of merchants with an IRS-approved IIAS](#)

[Listing of drug stores and pharmacies with either an IRS-approved IIAS or meet the IRS' 90% rule](#)

What is an inventory information approval system?

Under an inventory information approval system, all products at the merchant location have been identified as either eligible healthcare expenses or non-eligible healthcare expenses per IRC §213(d). At the point of sale, each item purchased is checked for the inventory code assigned by the merchant. Provided that your PayFlex Card has a sufficient balance available, approved transactions will be charged to your card. If you have non-approved items in the transaction, you will be asked for a second form of payment for these remaining items.

How does my PayFlex Card work at merchants who have implemented an IIAS?

When you swipe your card at one of the approved merchants, the IIAS will "approve" the items identified as healthcare related items at the point-of-sale. If you include non-eligible items (e.g., groceries) with your purchase, you will be asked to use another form of payment for those items.

After July 1, 2009, which merchants will not accept my PayFlex Card?

Merchants who have not implemented an IRS-approved inventory information approval system OR those who do not meet the IRS' 90 percent rule will not accept your PayFlex Card. You can continue to purchase eligible healthcare items with another form of payment and submit a claim online via Express Claims for reimbursement from your PayFlex account.

What if my card is no longer accepted at my drug store or pharmacy after July 1, 2009?

If your card is no longer being accepted based on the IRS regulations, you can still purchase and receive reimbursement for eligible healthcare items at these merchants. You will just need to use another form of payment and submit the itemized receipt along with a claim form to PayFlex. You can submit your claim online on the participant website via Express Claims.

Do I still need to save my receipts?

Yes, you should continue to save your receipts in case of an audit. You may still be required to send in receipts for the amount charged to your PayFlex Card.