

# **Internal Revenue** **bulletin**

**Bulletin No. 2007-2**

**January 8, 2007**

## **Part III. Administrative, Procedural, and Miscellaneous**

**T.D. 9281 Effective Date**

### **Notice 2007-1**

Situation 1 of Rev. Rul. 2003-43 also sets forth rules for substantiation of medical expenses and provides that debit card charges other than matched copayments, recurring expenses and real-time substantiation are treated as conditional pending confirmation of the charges through additional third-party information. If the debit card charges are subsequently identified as not qualifying for medical reimbursement, the employer must follow certain correction procedures with respect to the improper payments. The after-the-fact substantiation and correction procedures described in Situation 1 of Rev. Rul. 2003-43 are sometimes referred to as “pay and chase.” The ruling holds that employer-provided medical expense reimbursements made through the cards, as described in Situation 1, are excludable from gross income under § 105(b).