

Fixed-Indemnity Health Plan Benefits Includible in Gross Income

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Generally, a fixed-indemnity health plan pays benefits based on a time period, such as \$100 per day, and not based on the amount of medical care expenses actually incurred. The IRS issued an Office of Chief Counsel Memorandum (the “**Memorandum**”) stating that benefit payments under an employer’s fixed indemnity health plan are included in the employee’s gross income and wages if the employer pays for the cost of the coverage or if the premiums are paid for on a pre-tax basis through a cafeteria plan. Such benefits are not included in gross income and wages if employees pay premiums on an after-tax basis. The advice in the Memorandum may not be used or cited as precedent but does provide insight regarding how the IRS would view a similar tax situation. [View the Memorandum](#).