

IRS Addresses Medical Expense Reimbursements Related to Ancestry Genetic Testing Services

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In Private Letter Ruling 201933005 (the “**PLR**”), the IRS recently addressed whether certain genetic testing services and reports provided to an individual by a commercial retailer of bundled ancestry and health evaluation services (“**Ancestry Provider**”) constituted “medical care” expenses under Section 213(d) of the Internal Revenue Code, which would be reimbursable to the individual from his or her employer-sponsored health flexible spending arrangement (“**HFSA**”). Under the facts of the PLR, the Ancestry Provider (i) collected a DNA sample from an individual through a DNA testing kit, (ii) sent the sample to a third-party laboratory for genetic testing, and (iii) issued reports to the individual with results from such laboratory testing, including, among other things, information regarding the individual’s potential health risks. The IRS concluded that because the Ancestry Provider’s bundled services included both non-medical (*i.e.*, ancestry) as well as health services, the costs of its services must be valued and allocated, using a reasonable method, between medical care and non-medical care services/items to determine the portion of such amounts that may be treated as reimbursable medical expenses under the individual’s HFSA. Although the PLR may only be relied upon by the taxpayer to whom it was issued, the PLR provides useful insight for employer-sponsors of HFSA’s regarding how the IRS would view the reimbursement of employees’ medical expenses for similar services provided by an Ancestry Provider. [The PLR is available here.](#)