

IRS Issues Guidance Regarding Taxation of Wellness Program Rewards and Reimbursements

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The IRS recently released a memorandum from the Office of Chief Counsel of the IRS, which states that cash rewards provided under an employer-sponsored wellness program may not be excluded from an employee's gross income under Sections 105 or 106 of the Internal Revenue Code of 1986, as amended (the "Code"), even if the program generally qualifies as an accident or health plan under Code Section 106. The fair market value of any non-cash wellness program rewards that cannot be excluded from income as either (i) medical care under Code Section 213(d) or (ii) *de minimis* fringe benefits under Code Section 132(e) (e.g., gym memberships) must also be included in income. Finally, reimbursements to employees of any portion of wellness program premiums paid through salary reduction under a Code Section 125 cafeteria plan must also be included in gross income. The memorandum is available [here](#).