

## **Weight Loss Programs are Tax Deductible when Treating Obesity**

*On April 2, 2002 the Internal Revenue Service announced a new policy (IRS Ruling 2002-19). Overweight Americans are now eligible to deduct the cost of a weight-loss program as a medical expense when it is prescribed by a physician to treat obesity.*

### **THERE ARE FOUR WAYS TO BENEFIT FROM THIS NEW RULING:**

First, you can deduct qualifying medical expenses as part of medical care, which include weight loss program fees, under Section 213(a) when your expenses exceed 7.5% of your adjusted gross income.

Three employee benefits: Medical Savings Accounts, Flexible Spending Accounts, and Health Reimbursement Arrangements also follow IRS guidelines so they can now be used for reimbursement of obesity treatment expenses based on a doctor's recommendation. Over 15 million Americans have these accounts.

### **HOW IS OBESITY DEFINED?**

Body Mass Index (BMI) defines obesity. BMI is a ratio of height to weight, and a BMI from 20-22.5 is considered to be a healthy weight range. A BMI over 25 to less than 30 is considered overweight, and a BMI of 30 or more is considered to be obese. In weight terms, a BMI of 30 is about 30 pounds or more above your healthy weight range. Your doctor can help you to determine your BMI.

If you have heart disease, high blood pressure, high cholesterol or type 2 diabetes, doctor-prescribed weight loss qualifies as a treatment even if you are not obese.

### **WHAT IS THE DEFINITION OF "WEIGHT LOSS PROGRAM"?**

A weight loss program is defined as a "structured pattern of activities designed to help a person lose weight". This program could be provided by a hospital, by a health care professional, or by a commercial company.

### **WHAT EXPENSES CANNOT BE DEDUCTED?**

Health club dues, nutritional supplements, diet foods, meal replacement drinks, non-prescription diet products, low-fat foods, exercise equipment.

### **WHAT DOCUMENTATION AND PROOF OF PAYMENT IS REQUIRED?**

You need a doctor's letter that 1) states your diagnosis of obesity or an obesity-related disease, such as high blood pressure, that would be improved with weight loss, and 2) the doctor's recommendation that you lose weight. You also need a record of your expenses, such as paid invoices, receipts, or a weight loss program booklet that is stamped with your attendance and payments.

For reimbursement, such as through Medical Savings Account or a Flexible Spending Account, you must submit both a doctor's letter and proof of payment for treatment. For your tax return, you do not submit these items, however, you need to have it in your personal file in case you are audited by the IRS. Taxpayers are expected to be able to produce documentation of their deductions going back three years (sometimes up to six years).

### **CAN YOU AMEND YOUR TAXES TO REFLECT THE NEW POLICY?**

According to the IRS, "This guidance applies not only to the 2001 tax returns, but also to any years for which taxpayers may file amended returns." A tax advisor can help to guide you on how best to amend your tax return.

*Talk to your doctor about your BMI and how it relates to your health. If he or she advises you to lose weight to improve your health status, be sure to ask for a letter of referral. This letter is essential if you plan to deduct weight loss treatment costs on your tax return, or if you plan to submit them to your Medical Savings Account or Flexible Savings Account for reimbursement.*