

Industry Update

Deadline Extended for Debit Card Substantiation Requirements

IRS Notice 2008-104

For a copy: http://www.ecfc.org/regulations/08/irs_n-08-1041_2.pdf

The IRS has announced an extension to the deadline for claim substantiation requirements originally announced in 2007 for vendors and merchants accepting FSA associated debit cards.

The deadline extension applies to merchants becoming certified with **IIAS** (Inventory Information Approval System) in order to substantiate claims at the point of purchase, and also provides the option of a 90% rule for merchants who can certify that 90% of the services they provide are FSA eligible products and services. The responsibility for implementing and complying with IIAS and the 90% rule lies with individual merchants.

The IIAS certification was initially required of grocery stores and discount stores on January 1, 2008, with drug stores and pharmacies to follow January 1, 2009. This certification is monitored by the merchant category code that the provider uses with MasterCard®.

The deadline for drug stores and pharmacies to comply has been extended six months to **June 30, 2009** by the IRS.

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