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SENATE HEALTH BILL RAISES TAXES ON SPECIAL NEEDS CHILDREN

- There are 18 separate tax hikes in the Reid-Obama healthcare bill. One of them caps the amount that can be deferred in Flexible Spending Accounts (FSAs) at \$2500 per year (a similar provision was included in the Pelosi-Obama health bill and written about by Congressman Cathy McMorris-Rogers, R-Was., for *National Review Online*). There is currently no limit to how much can be saved, though all monies must be used by the end of the year. Employers may put a cap in place for their employees, but this would put a cap in federal tax law for the first time. According to the Employee Benefit Research Institute (EBRI), 30 million American families use an FSA.
- For most people, the \$2500 cap won't be noticed. FSAs tend to be used for things like small deductibles, co-payments, eyeglasses, over-the-counter medicines, and laser eye surgery. The amount deferred in the typical FSA is probably much less than \$2500 today.
- **There is one group of FSA owners for whom this new cap will be particularly-cruel and onerous: parents of special needs children. There are thousands of families with special needs children in the United States, and many of them use FSAs to pay for special needs education. Tuition rates at one leading school that teaches special needs children in Washington, D.C. (National Child Research Center) can easily exceed \$14,000 per year.**
- Under tax rules, FSA dollars can be used to pay for this type of special needs education. According to IRS Publication 502, *Medical Expenses*:

You can include in medical expenses fees you pay on a doctor's recommendation for a child's tutoring by a teacher who is specially trained and qualified to work with children who have learning disabilities caused by mental or physical impairments, including nervous system disorders.

You can include in medical expenses the cost (tuition, meals, and lodging) of attending a school that furnishes special education to help a child to overcome learning disabilities. A doctor must recommend that the child attend the school. Overcoming the learning disabilities must be a principal reason for attending the school, and any ordinary education received must be incidental to the special education provided. Special education include teaching Braille to a visually impaired person; teaching lip reading to a hearing-impaired person, or giving remedial language training to correct a condition caused by a birth defect.

THE REID-OBAMA HEALTH BILL RAISES TAXES ON FAMILIES OF SPECIAL NEEDS CHILDREN WHO USE FLEX SPENDING ACCOUNTS TO PAY FOR SPECIAL NEEDS EDUCATION