

medical savings account. On March 11, 1996 he withdrew four hundred dollars (\$400) from his medical savings account to reimburse himself for the medical expense payment. Because the balance in the medical savings account was one hundred dollars (\$100) less than the medical expense paid on that date, only three hundred dollars (\$300) of the withdrawal is considered to be a payment of eligible medical expenses. The taxpayer is entitled to a deduction of two hundred dollars (\$200) for the contribution to the account. He must also include one hundred dollars (\$100) in Idaho taxable income in addition to paying a penalty of one hundred dollars (\$100). (7-1-96)

Salary Reduction Agreements. Health benefits paid with pre-tax contributions, such as those under a salary reduction agreement, are considered paid by the employer and do not qualify as an expense paid by the employee. Health benefits paid with after-tax dollars are considered paid by the employee which qualify as an expense paid by the employee. (7-1-96)

191. -- 999. (RESERVED)

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