

IRS Regulations: Substantiation of Debit Card Transactions

- The debit card is a tool for claim payments. It helps to protect a participant's cash flow, BUT the process is not paperless. **Therefore, it is important for participants to save receipts from ALL card transactions.**
- IRS Revenue Ruling 2003-43 governs substantiation requirements for debit card use and dictates that *"charges other than matched co-payments, recurring expenses and real-time substantiation are treated as conditional pending confirmation of the charges through additional third-party verification."*
- GDI sends requests to participants to provide documentation for services that require substantiation. Requests are sent via e-mail. If no e-mail is available, a letter is mailed to the participant's home address.
- IRS regulations require card de-activation if the requested documentation is not received by the date indicated in the request.

The chart below displays situations where substantiation will be required, and those where no follow up is required.

Type of Charge on Debit Card	Substantiation Required	No Follow-Up Required
Matched Co-pays		✓
Transactions at merchants who can electronically validate the expense at the point of sale		✓
Recurring Expenses	1 time only	No further substantiation required if subsequent transactions are at the same merchant for the same dollar amount
Dental Care	✓	
Vision Care	✓	
Medical Care	✓	