

Uncle Sam is Picking up the Tab this Holiday!

Creative Gift Spending in a Questionable Economy. Consumers find Practical Gifts Ideas that make Financial Sense for Holiday 2008

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Press Release

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Creative Gift Spending in a Questionable Economy
Practical Gifts Ideas that make Financial Sense

With so many Americans watching their spending with a wary eye on the current economic roller coaster, Holiday shopping this year presents a new set of questions not faced in recent years. Recent fuel prices have driven the prices up on many consumer goods, and discretionary dollars are fewer for most households. As usual in precarious times, the American shopper is leaning more towards practical and useful gifts for the Holidays, and Retailers can expect lower sales overall, but especially on whimsical, gag, and frivolous gift items this year.

A surprising solution, however, has come to the aid of many families.

In the past few years, many employers have instituted alternative healthcare and benefit programs. These programs, known as Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), and Health Savings Accounts (HSAs) allow employees to make a wide variety of purchases with pre-income tax dollars.

An unexpected result, has been "windfall" spending by employees with one of these alternative health benefit plans.

Most of these programs are "Use it or Lose it" plans," according to the New York State Society of CPA's, Employees must spend their total annual election amount by the end of the plan year, otherwise the remaining funds became employer assets.¹ As such, some Product suppliers see a rise in spending this time of year for specific product categories.

“Our Largest Online Distributor, FirstAidStore.com, gets a big rush each year” says Steve Morris, Director of Sales for First Aid Only, the Nation’s Largest and most capable First Aid and Emergency Supplier. “While year-round FirstAidStore.com has an even balance of Business to Business and Business to Consumer sales,” continues Morris, “Come Holiday time they see a great influx of Consumer Purchases.”

A major cause of this rush is Corporate Buyers that remind employees at their own companies that they may make purchases through the FirstAidStore.com website with their FSA and HSA dollars.

“It took us a few years to determine where the buying rush was coming from,” explains Chad Balash of FirstAidStore.com, the Country's foremost First Aid Kit E-tailer. “With the Consumer Sales spread out almost dead-even between our Home, Auto, Sports, Pet, and Outdoor product lines, we had a hard time pinpointing the source of these new sales.”

What brought the source to light for FirstAidStore.com’s Management was a growing list of customers requesting annual purchase reports. “We have always provided detailed receipts on all purchases, but customers began asking for year-end summaries,” says Balash. “Now we offer online History for all our customers, and offer a free service to everyone who shops with us whereby we send them a report in January of all purchases that qualify for HSA, FSA, and other ‘deductable’ spending.”

Karla Gonzalez, in FirstAidStore.com’s BiLingual Customer Service notes, “Our Spanish Speaking clientele grasped this benefit immediately. We see a great percentage of our Hispanic Market utilizing this and our other money saving offers to further their spending value.”

It is not, however, just those with these alternative Health Plans that take advantage of this Tax free shopping advantage.

“We were pleasantly surprised,” explains Tawnya Lindsay of AedGrant.com, a program that works with Manufacturers and Corporate Sponsors to lower the cost of life-saving Automated External Defibrillators for Individuals, Groups and even Business buyers, “After several years of success with our program, Individuals participating in the Corporate Buy Down AED Grant purchase program taught us that AEDs can be written off by Individuals that itemize their taxes, and their Medical Expenses under IRS section 125 and Publication 502.2 We had always known that AEDs for Home use qualified under most Cafeteria Plans, FSA, etc., but the news that Individuals could write them off directly on their Tax Returns opened a whole new avenue for our Program.”

Each Individual should consult with their Employer or Tax Professional about how these plans affect them, but overall, Income Tax benefits offered for Medical Expenditures have opened up a practical, caring, and innovative alternative for gift giving.

Most Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), and Health Savings Accounts (HSAs) expressly list items such as Over the Counter Medicines, First Aid Kits, and even AEDs for Home Use as eligible items to purchase using pre-income tax funds. The IRS, in Publication 502 specifically states that even such items as bandages may be itemized. While a boon to companies like FirstAidStore.com, this too, has opened up a new source of gift giving dollars for the public in general. “It’s funny,” comments Chad Balash, “To think that the IRS is responsible for our booming sales in Pirate, Pickle, and Fairy Bandages!”

1 <http://www.nyssepa.org/trustedprof/805/tp13.htm>

2 Please see IRS Publication 502 for helpful information on itemization.

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