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Proposed PHIT Act Would Make Certain Sports and Fitness Expenses Tax Deductible

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By Alex Smith

Earlier this year, the Personal Health Investment Today Act of 2021 (the PHIT Act) was introduced in the U.S. Senate, where the legislation remains currently pending. If enacted, the PHIT Act would amend the Internal Revenue Code of 1986 to include “qualified sports and fitness expenses” among the expenses that may be deducted as tax-deductible medical expenses. In addition, individuals would be able to pay for “qualified sports and fitness expenses” using pre-tax dollars through their health savings account (HSA) or health care flexible spending account (Health FSA).

Qualified Sports and Fitness Expense. In the proposed law's current form, “qualified sports and fitness expenses” means up to \$1,000 per year (or up to \$2,000 for those filing a joint tax return or as head of household) of “amounts paid exclusively for the sole purpose of participating in a physical activity” such as a gym membership, to participate in a physical exercise or activity, to receive instruction in a physical exercise or activity (including instructional videos, books, and personal trainers), for sports or fitness equipment to be used in a physical exercise or activity program (up to \$250 per piece of equipment), or for registration fees for organized running events.

With respect to sports and fitness equipment, the equipment would need to be used exclusively for participating in the sports or fitness activity and any apparel or footwear could not be used for another purpose. For example, ski equipment that would not be used for a purpose unrelated to skiing would appear to qualify, but sneakers that could be worn for everyday use would not.

The proposed law clarifies that certain membership fees would not be eligible for the favorable tax treatment, including private clubs or clubs offering golfing, riding, hunting, or sailing facilities.

Potential Impact on Outdoor Industry. If enacted in its current form, the PHIT Act would reduce the ultimate out of pocket costs incurred by many individuals who participate in outdoor activities or purchase equipment for outdoor activities. For example, subject to the applicable \$1,000 or \$2,000 aggregate annual limit, an individual could:

- Pay \$250 apiece of the cost of a new bicycle, kayak, snowboard,

and skis with pre-tax dollars from his or her HSA.

- Pay for the cost of ski instruction with pre-tax dollars from his or her Health FSA.
- Take a tax deduction for the cost of a ski pass, assuming he or she itemizes deductions and is otherwise eligible to claim a deduction for medical expenses.

We will plan to provide an update if the PHIT Act of 2021 is enacted.

Kevin Selzer and Mike Dill contributed to this article.