

Tax code rewards wellness - and doughnuts

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Wellness. A big buzzword in the health care reform debate. Constantly touted as a key means of reducing out-of-control health care costs.

A couple of years ago, **Chris Mittelstaedt**, founder and CEO of the **FruitGuys**, a San Francisco company that delivers fresh fruit to business offices nationwide, asked the firm's accountant to check into the tax implications of providing such wellness-oriented benefits to employees - whether the provision of fresh fruit, for example, comes under the de minimis fringe benefit rules, meaning the cost is deductible by the employer.

It does, according to the accountant's reading of the tax code. Fruit is specifically mentioned under Treasury Reg. 1.132-6(e)(1) , but so are "occasional cocktail parties, group meals, or picnics for employees and their guests," along with "coffee, doughnuts, and soft drinks."

That caused the accountant to add in a note: "I have to take a moment to comment on the irony. By way of this law employers are encouraged to provide coffee (heart attack), doughnuts (obesity) and soft drinks (rotten teeth) to their employees."


We don't know whether Washington is cognizant of such irony, and thus considering relevant changes to the tax code. Nor do we know whether a proposed "sin tax" on sugary soda, and beer and wine currently floating around the Senate Finance Committee, will make its way into a health care bill.

We do know the fate of previously proposed junk food and drink taxes, which could save hundreds of billions of dollars in health care costs. They've died a quick, unremarked death at the hands of industry lobbyists who have considerably more clout than the FruitGuys.

Walking the walk: There was much talk of wellness and prevention programs at last week's San Francisco Chamber of Commerce confab on health care reform. That's where I met Mittelstaedt, who was one of the panelists. He and his wife, **Pia Hinckle**, a former **San Francisco Examiner** business editor, started delivering boxes of fruit to downtown San Francisco offices in 1998 when the dot-com era was at its peak but its pioneering ground troops were eating poorly.

Having survived the dot-com bust, the Fruit Guys (www.fruitguys.com) now has outlets in Chicago and Boston as well as San Francisco, delivering approximately 100,000 pieces of fresh fruit a week. Approximately 2,000 businesses are on the company's customer list, and revenues are "edging up" to \$10

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million annually, said Mittelstaedt.

The recession has hurt some. "It's difficult for some businesses to justify buying fruit for some employees while laying off others," he said. "But I'm starting to see companies investing in wellness again."

As to his views on health care reform: "Most of the current push is for access, which is a great first step," he said. "But the real fix is not just about greater access to doctors and hospitals. It's about incentives to encourage healthy behavior and disincentives to discourage unhealthy behavior, through the tax code and other means.

"We have to change. We have to become healthier as a country, and that's the responsibility of government, businesses and individuals."

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