



Employee FAQ:

Limited Purpose FSA with the Carryover Provision

What is an Limited Purpose FSA?

A Limited Purpose Health Flexible Spending Account (referred to as a Limited Purpose FSA) is much like a typical, general purpose Health FSA. However, under a Limited Purpose FSA, eligible expenses are limited to qualifying dental and vision expenses for you, your spouse, and your eligible dependent.

Why is it a good idea to have a Limited Purpose FSA?

IRS rules do not allow you to contribute to an HSA if you are covered by any non-qualifying health plan, including a general purpose Health FSA. By limiting FSA reimbursements to dental and vision expenses, you (or your spouse) remain eligible to participate in both a Limited Purpose FSA and an HSA. Participating in both plans allows you to maximize your savings and tax benefits. And you are able to roll over up to the IRS limit of unused funds to the following plan year. See Carryover Provision.

What is an HSA?

An HSA is a health care account and savings account in one. The main purpose of this account is to offset the cost of a qualifying high deductible health plan (HDHP) and provide savings for your out-of-pocket eligible health care expenses – those you and your tax dependents may have now, in the future, and during your retirement.

What expenses are eligible with a Limited Purpose FSA?

Qualified out-of-pocket expenses for dental or vision care provided to you, your spouse, or dependents. Typical eligible expenses include:

Qualified Dental Expenses

Cleaning, Fillings, Crowns, Braces

Qualified Vision Expenses

Contact lenses, Eyeglasses, Eye exams,
Vision correction procedures

These expenses are defined by IRS rules and your employer's plan. You can learn about your employer's plan by reading the Summary Plan Description (SPD).

Here are some other IRS rules you should know about:

No double-dipping – Expenses reimbursed under your Limited Purpose FSA cannot be reimbursed under any other plan or program – including an HSA. Only your eligible out-of-pocket expenses may be reimbursed. Plus, expenses reimbursed under this FSA may not be deducted when you file your tax return.

Timing is everything – FSAs have a start date and an end date, and the time in between is called the plan year. Expenses must be incurred during the FSA plan year. As noted in IRS guidelines, expenses are incurred when you (or your spouse or dependents) are provided with the vision or dental care that gives rise to the eligible expenses, and not when you are formally billed, charged for, or pay for the services. This means the date of service must be within the current plan year and not when you pay for the service.

What if an expense is eligible for reimbursement under both my FSA and HSA?

You may not use funds from both your Limited Purpose FSA and your HSA to cover the same eligible expense. Since there's no double-dipping allowed, you must choose which account will reimburse your expense. If you have a Benefits card the expense will come out of the Limited Purpose FSA first.

Is there a limit to how much I can contribute to my Limited Purpose FSA?

Yes. As a result of the Affordable Care Act, employee contributions have been capped for limited-purpose FSA plans. The annual limit for plan beginning in 2020 is \$2,750.

Can my spouse also contribute to an Limited Purpose FSA?

Yes, if your spouse is eligible to make contributions to a Limited Purpose FSA. Each spouse may contribute up to the \$2,750 maximum limit to their own Limited Purpose FSA.

How much money is available during the plan year?

Your entire health FSA election is available on the first day of the plan year. If your FSA is active, your available funds decrease as your claims are paid. You can find out your available funds by logging in to your online account.

What happens if I have funds left in my Limited Purpose FSA at the end of the plan year?

Your employer has adopted the Carryover Provision. This allows up to 20% of the IRS maximum contribution limit for the FSA to rollover into your next plan year when the current plan year ends. For plans beginning in 2020 the maximum contribution limit is \$2,750 and therefore the maximum amount you may rollover is \$550. These funds will then be added to your new plan year election and will be available for the entire new plan year. Your employer may require you to make a minimum new plan year election - minimum amount is typically \$100.

What is the “use-or-lose” rule?

The IRS created this rule, which states that all money left in your FSA is forfeited after the plan year ends, or after the run-out period. You may carry over up to IRS

Maximum of unused funds into the next plan year. After the carryover, you forfeit remaining unused funds that are more than the carryover amount.

Can I change my election amount?

Your election can't be changed during the plan year unless you have a change in status or other qualified event.

What happens if I stop working for this employer?

If you stop working for your employer or you lose your FSA eligibility, your plan participation and your pre-tax contributions will end automatically. Expenses for services you have after your termination date are not eligible for reimbursement.



For more information, call 800-499-3539