

Limited-purpose FSA FAQs

What is a limited-purpose flexible spending account?

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 dependents.

Here's how a limited-purpose FSA works. Money is set aside from your paycheck before taxes are taken out. You can then use your pre-tax FSA dollars to pay for eligible vision or dental expenses throughout the plan year. You save money on expenses you're already paying for, like dental checkups, vision exams, eyeglasses, and much more.

Why is it a good idea to have a limited-purpose FSA?

IRS rules do not allow you to contribute to a [health savings account](#) (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 care 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 depending on how your limited-purpose FSA plan is set up, you may be able to carry over up to \$640 of unused funds to the following plan year.

You continue to maintain your HSA eligibility each month that you meet the conditions listed above on the first day of the month. Plus, it's up to you to decide if you meet these eligibility requirements. This is also important to know when making HSA contributions.

What expenses are eligible under a limited-purpose FSA?

A limited-purpose FSA covers 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 expenses are not covered under a limited-purpose FSA?

Expenses that are not approved are called “ineligible expenses.” Ineligible limited-purpose FSA expenses include:

- Insurance premiums
- Medical expenses, including deductibles, co-insurance, and co-pays
- Alcohol and drug rehab expenses
- Prescription medicines
- Over-the-counter medicines and items
- Medical equipment
- Contraceptives
- Cosmetic procedures
- Expenses for services incurred after the coverage period ends
- Expenses reimbursed by an insurance provider or other health plan
- Personal use items, such as toothpaste, razors, and shampoo
- Dental whitening procedures and kits

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.

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 is \$3,200.00, and you cannot contribute more than this amount. However, your plan may have an annual limit that is less. Please review the [Summary Plan Description](#) (SPD) to find out the annual limit for your plan.

Can my spouse also contribute to an FSA?

Yes, if your spouse is eligible to make contributions to a limited-purpose FSA. Each spouse may contribute up to the \$3,200.00 maximum limit to their own limited-purpose FSA. This applies even if both spouses participate in the same limited-purpose FSA plan sponsored by the same employer.

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](#).

How do I keep track of my account activity?

Your FSA information is available any time day or night by logging in to your [online account](#). Log in and find:

- Real-time account balance
- Claims status
- Reimbursement payment history

What do I submit along with a reimbursement request form?

You must save all itemized receipts and other supporting documentation for every FSA expense. Try to keep all of your documentation filed in an envelope or box. Appropriate documentation includes:

- Explanation of Benefits (EOB) statement from your dental or vision plan.
- An itemized receipt or bill of service with the provider or merchant name, the patient's name, a description of the service, the original date of service, and your portion of the charge.

In some cases, a Medical Determination Form completed by a vision, or dental provider is required. Credit card receipts, canceled checks, and balance forward statements do not meet the requirements for acceptable documentation.

What happens if I have funds left in my limited-purpose FSA at the end of the plan year?

It depends on the rules for your employer's FSA plan. Your employer decides the features included in your FSA plan, and the way your health FSA plan is set up determines if you can use funds left in your account after the plan year ends.

Review the [Summary Plan Description](#) (SPD) to learn if your plan includes either of these features:

- **Carryover** – lets you carry over up to \$640 of unused health FSA funds to the following plan year. (Your limited-purpose FSA may have a maximum limit that is less.) This feature gives you more flexibility on how and when to use your limited-purpose FSA funds.

What is a run-out period?

It's a set number of days after the plan year ends that allows you to submit claims for eligible expenses incurred during the plan year. Not all FSA plans include this feature and the time frame of the run-out period may vary by plan. Check your [Summary Plan Description](#) (SPD) for details.

- The **run-out period gives you extra time to submit reimbursement requests** for [eligible expenses](#) incurred during the plan year. If you have a dental checkup in June (the last month of the plan year), you may submit a reimbursement request for that expense during the run-

out period. You will be reimbursed from the funds left in your limited-purpose FSA from the previous year.

What is the "use-it-or-lose-it" rule?

The IRS created this rule, which states that all money left in your FSA is forfeited after the plan year ends, or if applicable, after the run-out period. If your limited-purpose FSA has a carryover feature, you may carry over up to \$640 of unused funds into the next plan year. The \$640 maximum carryover limit was set by the IRS, but your employer may decide to have a lesser amount – check your [Summary Plan Description \(SPD\)](#). After the carryover, you forfeit remaining unused funds that are more than the carryover amount.

The unused portion of your limited-purpose FSA cannot be paid to you in cash or other benefits, and you can't transfer money between FSAs. To reduce your risk of losing money at the end of the plan year, carefully estimate your expenses when choosing your annual election 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 – that's an event defined by IRS rules – and your employer's plan must allow the change as well.

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.

Please Note: You may be entitled to elect [COBRA continuation coverage](#) under the health FSA and receive reimbursement for qualified expenses incurred after your termination, but only if you continue to make the required FSA COBRA premium payment using your money after taxes have been taken out. However, you generally do not have the right to elect COBRA continuation coverage if the cost of COBRA continuation coverage for the remainder of the plan year equals or is more than the amount left in your FSA (excluding your carryover dollars, if applicable)

I want to open an HSA but I currently have a general-purpose health FSA. What do I need to do?

The action you need to take depends on if you have a grace period extension or carryover feature included in your general-purpose health FSA.

- **Carryover**– You have two options.
 1. Spend the funds left in your general-purpose health FSA before the plan year ends. This includes spending your carryover balance; or
 2. Enroll in a limited-purpose health FSA if it's offered in your benefits package. If you have a carryover balance, it will move into this account.