



Limited Purpose Flexible Spending Accounts

Make sense of healthcare.



Using a Limited Purpose Flexible Spending Account (LPFSA) is a great way to stretch your benefit dollars. You contribute before-tax dollars to your LPFSA to reimburse yourself for eligible out-of-pocket vision and dental expenses. That means you can enjoy tax savings and increased take-home pay. And that makes real sense.

An LPFSA is a tax-advantaged financial account that can be set up through your employer's cafeteria plan. An LPFSA allows you to designate a portion of your pre-tax earnings to pay for qualified expenses as established in the cafeteria plan for dental and vision expenses. Since the money deducted from your paycheck for the LPFSA is not subject to Federal or most state taxes, you can benefit from tax savings.¹

How a Limited Purpose FSA works:

- You determine an annual election amount to contribute to your LPFSA via payroll deduction, in equal installments, on a tax-free basis.
- You can pay for vision and dental expenses with your Health Benefits Debit Card directly to your provider, or pay out-of-pocket and submit a claim to HSA Bank for reimbursement.
- When submitting a claim, scan and upload your receipt(s) or Explanation of Benefits through HSA Bank's mobile app or your computer.
- Once your claim is approved based on eligibility and availability of funds, reimbursement will be sent to you.
- Check your balances and account information via HSA Bank's Member Website or mobile device 24/7.

Are you eligible for a Limited Purpose FSA?

Limited Purpose FSAs are established by your employer; therefore self-employed persons are not eligible for an LPFSA. An LPFSA may be offered together with other employer-provided benefits as part of your employer's cafeteria plan. You do not have to be covered under any other healthcare plan to participate, but your employer must generally sponsor a group health plan for its eligible employees.

LPFSA employee pre-tax contributions do not reduce New Jersey wages subject to income tax. Certain limitations may also apply if you are a highly compensated participant or a key employee (IRS publication 969).

What are the annual IRS contribution limits?

The current annual contribution as set by the IRS is \$2,600. This includes payroll deductions. The amount may be less if determined by your employer's plan design. The limit is indexed for inflation and may change from year to year.

Funds that are not spent by the end of the plan year are forfeited, unless your employer offers a grace period. Alternatively, if permitted under your employer's plan design, you may be able to carry over up to \$500 of unused funds.

How can you benefit from tax savings?

An LPFSA provides tax savings to you in several ways:

- Withdrawals are tax-free when used for qualified vision and dental expenses.
- Your annual LPFSA election deducted from your paycheck is not subject to Federal or most state taxes.

IRS-Qualified Vision and Dental Expenses

The list of eligible dental and vision expenses include:²



¹ HSA Bank does not provide tax advice. Consult your tax professional for tax-related questions.

² This list is not comprehensive. It is provided to you with the understanding that HSA Bank is not engaged in rendering tax advice. The information provided is not intended to be used to avoid Federal tax penalties. For more detailed information, please refer to IRS Publication 502 titled, "Medical and Dental Expenses," Catalog Number 15002Q. Publications can be ordered directly from the IRS by calling 1-800-TAXFORM. If tax advice is required, you should seek the services of a professional.

For assistance, please contact the Client Assistance Center



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