



Limited Purpose Flexible Spending Account (LPFSA) FAQs

Q: What is a Limited Purpose FSA (LPFSA)?

A: An LPFSA is a Flexible Spending Account that may be available to people who own a Health Savings Account (HSA) in order to pay for qualified vision and dental expenses for themselves and their dependents. Account holders may contribute pretax income for an LPFSA and save on their taxes; employers may also fund an employee's LPFSA, but are not required to do so.

Q: How is an LPFSA different than an FSA?

A: A 'general purpose' FSA allows account holders to pay for a long list of IRS-approved expenses, including prescription medications, copays, most dental treatments, and other medical related needs. If a person has an HSA, they are not eligible to also have a general purpose FSA.

An LPFSA allows account holders to receive reimbursement for eligible dental and vision expenses. A person with a high deductible health plan with an HSA is eligible for an LPFSA.

Q: What are the contribution limits for an LPFSA?

A: Just as with a general purpose FSA, there is a maximum contribution of up to \$2,850 each year. Also, the funds in an LPFSA expire at the end of the plan year, just like an FSA; therefore, it is crucial that account holders make an accurate estimate of their vision and dental expenses, or risk losing the unused funds.

Some employers allow up to \$570 of carryover for LPFSAs.

Q: Why are LPFSAs important?

A: The IRS rules prohibit people from being able to contribute to both an HSA and a general purpose FSA. By limiting the eligible expenses to dental and vision, participants can have an LPFSA and HSA at the same time, thereby maximizing their savings and tax benefits.

Q: How can I enroll in an LPFSA?

A: You can enroll or renew your election in an LPFSA during your employer's open enrollment period. Talk with your Human Resources department to determine when the enrollment period begins.

Q: What types of out-of-pocket expenses are covered by an LPFSA?

A: Common expenses include*:

- | | |
|--------------------------|--------------------------------|
| • Eye exams | • Contact lenses |
| • Dental exams/cleanings | • Crowns |
| • Eyeglasses | • Braces |
| • Fillings | • Vision correction procedures |

* Contact your LPFSA administrator for a full list of eligible expenses.



Anderson, Williams, McKinnis & Co., Inc.
PO Box 380968
Birmingham AL 35238
support@awm.cc