

Limited-Purpose FSA

A Limited-Purpose FSA can be used alongside a Health Savings Account (HSA) to maximize your tax savings on your medical, dental and vision out of pocket expenses.

Before you decide if a Limited-Purpose FSA is right for you, you need to know how this type of Flexible Savings Plan works.

What is a Limited-Purpose FSA?

A Limited-Purpose Health FSA is similar to a General-Purpose Healthcare FSA. The difference is Limited Purpose FSA can only be used to reimburse your out of pocket dental and vision expenses.

Is a Limited-Purpose FSA right for me?

If you have planned future dental or vision expenses, Limited-Purpose FSAs make a lot of sense, especially when used in conjunction with an HSA. Like the General-Purpose Healthcare FSA, the Limited-Purpose FSA is prefunded. You can be reimbursed up to your total annual election at any time during the Plan Year.

What are the advantages of a Limited-Purpose FSA?

The main advantage of any FSA Plan is that you can pay for qualifying medical, dental and vision expenses tax-free while reducing your taxable income.

While you are not allowed to contribute to an HSA as well as a General-Purpose Healthcare FSA, you can contribute to an HSA if you use a Limited-Purpose FSA for your dental and vision care needs. This will allow you to maximize your savings and tax benefits.

What are the disadvantages of a limited-purpose FSA?

A Limited-Purpose FSA, your eligible procedures are limited to dental and vision expenses.

There are contribution limits to both a General Purpose and Limited Purpose FSAs. The contribution limit for taxable years beginning in 2023 is \$3,050.

There is also no “double-dipping”, meaning that you are unable to pay for a procedure using your Limited Purpose FSA as well as an additional plan or program, such as an HSA.