

Limited Purpose FSA

Cafeteria Plan | Dental & Vision



Simple Way to Pay for Dental & Vision

The BASE® Limited Purpose FSA is a form of flexible spending account that is strictly for reimbursing eligible dental and vision care expenses. This type of plan is for employees who are enrolled in a high deductible health plan, and are enrolled in a Health Savings Account (HSA). When enrolled in a Limited Purpose FSA, employees save tax dollars, and are also open to utilizing HSA funds for savings and investment opportunities.

BASE® 125 Limited Purpose FSA Example

Gross Annual Pay: \$35,000

Annual Dental & Vision Expenses: \$1,200

Employee Savings

	Without Limited Purpose FSA	With Limited Purpose FSA
Gross Paycheck	\$35,000.00	\$35,000.00
Pre-Tax HSA Contribution	\$0.00	\$6,750.00
Pre-Tax Dental & Vision	\$0.00	\$1,200.00
Taxable Earnings	\$35,000.00	\$27,050
*Taxes	\$9,677.50	\$7,479.32
Net Take Home Pay	\$25,322.50	\$27,520.68
Annual Savings		\$2,198.18
Monthly Savings		\$183.18

Employer Savings

# of Participating Employees	Average Contribution	FICA Tax	Employer Annual Savings
1	\$7,950	x7.65%	\$608.18
10	\$7,950	x7.65%	\$6,081.70

*Federal, State, FICA formulated at 27.65% based on current averages.

Who is a Limited Purpose FSA for?

This plan is for the employer who offers a Health Savings Account (HSA) and wants to add additional cost saving measures for employees to save on dental and vision care expenses. Individuals may not contribute to a Health Savings Account (HSA) if they are covered by any non-qualifying health plan, which includes a medical FSA. By limiting reimbursements to only dental and vision care expenses, individuals remain eligible to participate in both a limited-purpose FSA and an HSA. Basically, this allows participants the opportunity to build contribution amounts in their HSA while still receiving a pre-tax benefit for eligible dental and vision expenses.

How does it work?

The Limited Purpose FSA allows employees to set aside a specified amount to be taken out of their check before Federal, State and Social Security taxes are taken out. Much like a typical general purpose medical FSA, however, the money is available for eligible dental and vision expenses only.

The IRS limits the amount you can put into a Limited Purpose FSA each year. The current limit is \$2,600, however an employer can set this limit lower.

What are the benefits?

Benefit to Employer

- **Ability to Expand Benefits Package.** Often times employers are looking for additional ways to maximize savings and tax benefits for their business and employees. By limiting FSA reimbursements to dental and vision care expenses, an employer can now expand benefits to include both a Limited Purpose FSA and an HSA. Plus, employers can expand benefits even further with the addition of a Dependent Care Assistance Plan under a 125 Cafeteria Plan, only adding to the savings opportunities.
- **Financial Benefits.** Even though this is considered an employer provided plan, the employee elects to make a pre-tax contribution for dental and vision expenses that reduces the employer's share of FICA and FUTA taxes.

Benefit to Employee

- **Increased Take-Home Pay.** Since these funds are transferred from the employee's wages on a pre-tax basis, employees save Federal, State, Social Security and Medicare taxes - increasing take-home pay.
- **Increased Benefit Savings.** The Limited Purpose FSA covers qualified out-of-pocket expenses for dental and vision care expenses for an employee as well as spouse and dependents. Eligible expenses can include dental checkups, vision exams, eyeglasses, and much more. By utilizing the Limited Purpose FSA for these expenses, it allows employees to save HSA funds for the future.

M:REV 1/13/17