

LIMITED PURPOSE **FSA**



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This type of Flexible Spending Account was designed to comply with the eligibility rules that govern Health Savings Accounts (HSA). If you contribute to an HSA, or if Bates contributes to your HSA, you cannot have a Health Care FSA because of those eligibility rules – but you may have a Limited Purpose FSA which is used to reimburse Dental and Vision expenses on a pre-tax basis.

HOW MUCH CAN YOU CONTRIBUTE?

In 2026, you may contribute up to \$3,400 in pre-tax funds into a Limited Purpose FSA. This limit may change annually; updates are announced by the IRS in the 4th quarter for the following year.

WHO CAN USE THE FUNDS?

- ▶ You
- ▶ Your legal spouse
- ▶ Your tax dependents

WHEN ARE FSA FUNDS AVAILABLE?

Limited Purpose FSA funds elected for the year are available for your use as of the first day of the plan year. For example, if you elect \$2,400 for the year, you will see \$200 deducted from your paycheck each month. While you contribute towards that \$2,400 over the course of the year, the full \$2,400 election is available to you as of the beginning of the year. There's no need to wait until funds are deducted from your paycheck before you can access your FSA funds.

WHAT CAN THE FUNDS BE USED FOR?

Limited Purpose FSA funds can be used Dental and Vision expenses not paid by insurance, including:

- ▶ Dental expenses, including orthodontia
- ▶ Eyeglasses and contact lenses

WHAT EXPENSES ARE NOT ELIGIBLE FOR REIMBURSEMENT FROM YOUR LIMITED PURPOSE FSA?

Expenses that have been or will be paid by insurance, and expenses that are not covered by insurance, including but not limited to:

- ▶ Any medical / prescription drug expenses
- ▶ Health clubs / gym memberships
- ▶ Insurance premiums
- ▶ Teeth whitening
- ▶ Over the counter medications
- ▶ Vitamins / nutritional supplements

HOW DO YOU ACCESS YOUR FSA FUNDS?

You will receive an FSA debit card from Baker Tilly Vantagen. You can use this card to pay for expenses at the dentist's office, when purchasing eyeglasses, etc. If you try to purchase non-covered items with your debit card, the transaction may be declined. And if you try to purchase covered items from a store that is not primarily a health care facility or supplier (such as a pharmacy), your transaction may be declined. If that happens, you may pay for your service or item out of your personal account, then submit the itemized receipt for reimbursement through Baker Tilly Vantagen.

You cannot use your FSA debit card to reimburse yourself for expenses through an ATM.

WHAT IS SUBSTANTIATION?

Because your Limited Purpose FSA funds can only be used for specific eligible dental and vision expenses, there are times when Baker Tilly Vantagen will ask you to verify, or substantiate, a purchase made with your FSA debit card. To substantiate your purchase, simply follow the instructions provided with Baker Tilly Vantagen's request; you can submit your receipt through the mobile app or website to substantiate your purchase.

If you do not comply with the substantiation request, your FSA debit card may be inactivated until the requested information is provided.



LIMITED PURPOSE FSA – USE IT OR LOSE IT?

Limited Purpose FSA funds can only be used during the year for which they were elected. Bates' plan, however, has a carryover provision which allows you the opportunity to carryover unused funds into the following year. Additionally, Bates has a run-out period which extends the time that you have to submit claims.

RUN-OUT PERIOD

After the plan year ends, your FSA plan has a specific period of time during which you can still submit claims for reimbursement. Bates has a 3-month run-out period. For the 2026 plan year that ends on December 31, 2026, you will have until March 31, 2027 to submit your 2026 expenses for reimbursement.

CARRYOVER/ROLLOVER

Bates' FSA plan includes a carryover provision, which allows you to carry a certain amount of unused FSA funds over to the next year. The IRS limits the amount you can carry over to 20% of the maximum election amount for the year. For 2026, since the maximum election is \$3,400, you may carry over up to 20%, or \$680 to 2027 if you have unused funds after the plan year run-out period ends. Any unused funds that exceed the carryover limit will be forfeited.

PLAN CAREFULLY!

A Limited Purpose FSA is a fiscally responsible way to save tax dollars by setting aside tax-free funds to pay for eligible dental and vision expenses. A Limited Purpose FSA can help you maximize your HSA savings, by providing another pre-tax approach to pay for expenses during the year. But be aware of Bates' carryover provision, and make sure you don't overestimate your expenses. Remember, FSA funds that are not used by the plan's deadlines are at risk for forfeiture.