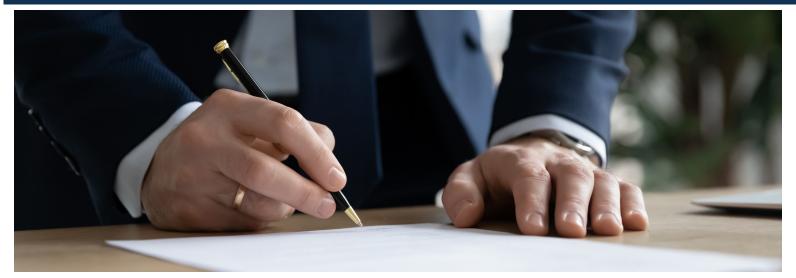


# One Big Beautiful Bill Act Signed into Law

732-992-1500 | www.cbplans.com



Issued date: 07/11/25

On Friday, July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act ("OBBBA"), which encompassed much of the President's desired domestic policies for his term. Importantly for employers, the bill does not alter or eliminate the tax exclusion for employer sponsored health insurance.

There are several provisions in OBBBA that amend the Internal Revenue Code ("the Code") and impact employer sponsored plans.

The following highlights some of the key changes.

# Telehealth and Direct Primary Care Are Okay Before the Minimum HDHP Deductible

Most notably, certain types of coverage will no longer preclude individuals enrolled in a qualified high-deductible health plan ("HDHP") from contributing or receiving contributions to a Health Savings Account ("HSA").

#### Telehealth

For plan years beginning after December 31, 2024, an HDHP will not be disqualified by failing to have a deductible for telehealth and other remote care services. This means that an employer can provide telehealth on a no-cost (or reduced cost) basis for HDHP participants, and the individuals will still be able to make and receive contributions to their respective HSAs.

The retroactive effect of this provision means that if telehealth or other remote care services were provided for free (or at a reduced cost before the deductible) in 2025, that coverage is not considered disqualifying and employers will not need to adjust the tax treatment of any potential employee or employer HSA contributions made earlier this year.

#### Direct Primary Care

Beginning on January 1, 2026, HDHP participants can make and receive HSA contributions while covered under a direct primary care service arrangement ("DPC"). Previously, free (or reduced cost) DPC services provided before the minimum HDHP deductible is satisfied would disqualify individuals from making HSA contributions.

To qualify as a DPC, the program must:

- Consist solely of primary care services provided by primary care practitioners, and
- Have a monthly fee of \$150 or less for self-only coverage and \$300 or less for coverage other than self-only. These
  amounts will be indexed annually.

For this purpose, the statute states that the following services are specifically excluded from treatment as primary care:

- · Any procedures that require the use of anesthesia,
- · Prescription drugs (other than vaccines), and
- Lab services that are not typically administered in an ambulatory primary care setting.

Additionally, HSA account holders can pay for a DPC out of their HSA, but only if the arrangement is less than or equal to \$150/month for an individual (\$300/month for a family) as indexed.

It is important to note that this change allows for the DPC fees to be reimbursed by an HSA. It does not appear to allow for reimbursement from other types of accounts like a Health Reimbursement Arrangement ("HRA") or a Flexible Spending Account ("FSA"). However, further guidance would be welcome.

#### Increase to the Dependent Care Account

Previously, Section 129 dependent care assistance programs (also known as "dependent care FSAs" or "DCAPs") were limited to reimbursing up to \$5,000 annually (\$2,500 if married filing separately) of qualified child and dependent care expenses incurred for the taxpayer to seek employment or work.

For taxable years beginning after December 31, 2025, DCAPs can reimburse up to \$7,500 annually (\$3,750 if married filing separately). No other amendments were made, so the new maximum is still not indexed for inflation and is subject to meeting certain nondiscrimination requirements provided by the Code.

Please note that while the increased dollar limit for DCAPs is a welcome development, employers should be mindful that such an increase could impact their nondiscrimination testing results if highly compensated or key employees benefit more from this higher limit.

## Permanent Changes to Qualified Education Assistance Plans

Employers may contribute up to a maximum of \$5,250 towards educational assistance for an employee in a calendar year and those amounts will be excludable from the individual's taxable income.

An educational assistance program can include payments for expenses incurred by or on behalf of an employee for the education of the employee, as well as payments to the employee or a lender of principal and/or interest on any qualified educational loan incurred by the employee for education of the employee.

The student loan provision was set to expire at the end of 2025, but the provision is now extended permanently.

Additionally, the \$5,250 maximum will now be indexed moving forward to account for inflation.

# Permanent Changes to Transportation Fringe Benefits

OBBBA permanently eliminates the bicycle commuting reimbursement exclusion.

In addition, the bill adjusts the methodology for calculating inflation when indexing the maximum amount of fringe benefits excludable for parking or public transit.

#### Extension and Enhancement of the Tax Credit for Paid Family and Medical Leave

OBBBA makes permanent paid family medical leave tax credits under Code § 45S, with three modifications:

- Expands the credit allowing employers to claim the credit for a portion of paid family and medical leave insurance premiums.
- It makes the credit available in all states.
- Lowers the minimum employee work requirement from 1-year to 6-months.

### Establishment of Trump Accounts and Employer Contributions

The law establishes a new type of retirement account called a "Trump Account," which will be treated in a similar manner to Individual Retirement Accounts ("IRAs") but is specifically designed for minors. The accounts are subject to various rules, including:

- The account must be established for the exclusive benefit of an eligible individual under the age of 18 or the individual's children under the age of 18.
- Contributions are limited to up to \$5,000 per year (indexed for inflation for years after 2027), and funds must be invested in "eligible investments."
- With limited exceptions, the amounts in the Trump Account must not be distributed before the first day of the year that the beneficiary turns 18.

Employers may contribute up to \$2,500 (indexed for inflation for years after 2028) to an employee's Trump Account or that of their dependent(s). Amounts contributed by an employer are excludable from the employee's taxable income provided they are made in accordance with a separate, written plan document and subject to nondiscrimination requirements like those that apply to DCAPs.

## **Employer Action**

Employers should review the benefit related provisions of OBBBA. Employers may want to consider:

- With respect to HDHP/HSA plans, whether to offer:
  - Free or reduced cost telehealth (or other remote care services).
  - A DPC arrangement.
- Increasing the DCAP limit for 2026 to reflect the larger salary reduction of \$7,500.
- Whether to take advantage of other tax favored offerings, including:
  - A qualified education assistance program that will permanently include student loan payments; or
  - Contributions to employees' own (or their dependents') Trump Account for future investment.