

July 14, 2025

What Employers Need to Know About the Employee Benefits Provisions in the OBBBA

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On July 4, the One Big Beautiful Bill Act (“OBBBA”) was enacted into law with President Donald Trump’s signature. Although the OBBBA’s tax and spending provisions tend to receive greater media attention, it also contains several provisions impacting employer-sponsored benefit plans. This article summarizes the most significant benefits-related provisions of the new law and provides practical guidance for plan sponsors to consider.

Permanent Relief for First-Dollar Telehealth Coverage under HDHPs

The OBBBA makes permanent a safe harbor for first-dollar telehealth coverage under high deductible health plans (HDHP). To maintain eligibility for health savings accounts (HSA), HDHP participants ordinarily need to meet the deductible before the plan can provide any coverage at reduced or no cost, with limited exceptions for preventive care and certain other coverage. With the OBBBA, plan sponsors can now offer telehealth coverage to HDHP participants at reduced or no cost without impacting the participants’ HSA eligibility, even if the telehealth services do not fall under the preventive care or other exceptions. This is a welcome relief for plan sponsors.

The telehealth safe harbor was initially enacted as a temporary COVID-era measure and extended twice through the end of 2024 by subsequent legislation. It has now been made permanent retroactive to January 1, 2025, under the OBBBA.

Action Item: This relief is optional. Plan sponsors who had been charging HDHP participants the fair market value cost for telehealth coverage since the beginning of 2025 may continue to do so, or they may reimburse participants for these amounts. Plan sponsors who decided not to charge HDHP participants for telehealth coverage do not need to take any action. In any event, we encourage all plan sponsors to work with their third-party administrators to ensure their governing documents accurately reflect their desired practice, and to timely communicate any changes to participants.

New HSA-Compatible Plan Options

As of January 1, 2026, the OBBBA also expands the types of coverage that are compatible with HSA eligibility. Specifically:

- Bronze and catastrophic plans sold through an Affordable Care Act marketplace will be treated as HDHPs, regardless of their actual deductibles.
- Direct Primary Care Arrangements (DPCAs), a growing model where patients pay a flat monthly fee for primary care, will now be HSA-compatible as long as monthly fees for the arrangements do not exceed \$150 for individuals or \$300 for families (indexed for inflation). These fees will also qualify as HSA-eligible medical expenses. For purposes of this relief, primary care services do not include procedures that require the use of general anesthesia, prescription drugs (other than vaccines) and lab services not typically administered in an ambulatory primary care setting.

Tax Relief for Child Care Expenses

The OBBBA includes two provisions that provide increased tax relief related to child care expenses, both effective as of January 1, 2026:

- The OBBBA raises the annual contribution limit for dependent care assistance programs (DCAPs) from \$5,000 to \$7,500 for singles and married couples filing jointly, and from \$2,500 to \$3,750 for married couples filing separately. These limits will not be adjusted annually for inflation.
- The OBBBA increases the qualified child care limit under tax Code section 45F for employers from \$150,000 to \$500,000 annually (and \$600,000 for eligible small businesses), indexed for inflation. The law also increases the maximum percent of child care expenditures that can be counted towards the limit from 25% to 40% (50% for eligible small businesses).

Action Item: The DCAP contribution increase is likely to impact many more employers. Employers who wish to increase their DCAP contribution limits should work with their vendors to ensure their plan documents (including their Section 125 plan documents) allow for the increased contributions. Open enrollment materials should also be revised accordingly, and payroll systems should be configured to process the higher maximum deferral amounts. Employers will also need to assess the impact of the higher limit on DCAP nondiscrimination testing for 2026, especially since higher-compensated employees may be more likely to increase their contributions up to the new limit. A good way to get ahead of this issue is to work with testing vendors now to run “mock” testing for 2026.

Tax-Free Student Loan Repayment Becomes a Permanent Benefit

Employers can now offer tax-free student loan repayment assistance on a permanent basis. Previously set to sunset at the end of 2025, this provision allows employers to pay up to \$5,250 annually toward an employee's student debt without the payments being treated as taxable income. The \$5,250 annual limit will also be indexed for inflation after 2026.

Action Item: This benefit can be a useful retention and recruiting tool, particularly for younger employees. Employers already offering this benefit can continue doing so. Those considering implementation should work with counsel to adopt or amend an educational assistance plan to offer this benefit. Note that this benefit is available under tax Code section 127, the same statute governing tuition assistance programs. As a result, the \$5,250 annual limit for tax-free benefits is the combined limit for both the student loan repayment and tuition assistance program benefits.

Introducing “Trump Accounts” for Children

Among the more novel additions in the OBBBA is the creation of a new tax-advantaged account for children under 18, informally dubbed the “Trump Account”. These accounts have rules similar to those governing individual retirement accounts (IRA).

Trump Accounts have an annual contribution limit of \$5,000 (indexed for inflation). Employers can contribute up to \$2,500 annually (also indexed for inflation) towards this limit. Employer contributions are eligible for tax-free treatment (up to the \$2,500 limit) if made pursuant to a written program subject to nondiscrimination and other requirements similar to those applicable to dependent care assistance programs. However, individual contributions to Trump Accounts would appear to be on an after-tax basis. Earnings on these contributions are tax-deferred until distribution, which generally cannot be taken before age 18.

In addition, under a pilot program, Trump Accounts of children born from 2025 through 2028 who are U.S. citizens will be credited with a contribution of \$1,000 that will not count towards the \$5,000 limit. Trump Accounts can be established beginning in 2026.

Action Item: Trump Account contributions may be useful tools for attracting and retaining employees with young children. Employers will need to establish written programs for contributions to receive tax-free treatment. More regulatory guidance on Trump Accounts can be expected in the coming months.

Permanent Paid Family and Medical Leave Credit

The OBBBA also makes permanent a previously enacted paid family and medical leave credit that was set to expire at the end of 2025. The credit is available to employers who offer paid family and medical leave to their employees. The credit amount is based on the percentage of wages paid to employees during leave or the percentage of premiums paid by the employer for a leave insurance policy. The law also makes the credit available when paid leave is offered to employees who have been employed for six months or longer. (The previous minimum service requirement was one year).

Tax-Free Bicycle Commuting Reimbursement Eliminated

Effective January 1, 2026, the OBBBA eliminates the tax-free bicycle commuting reimbursement that was available to offer to employees (up to \$20 per month).

Action Item: Employers wishing to continue offering the bicycling reimbursement can do so on a taxable basis. Employers should work with their vendors to update the tax treatment of any bicycle reimbursements.

Please do not hesitate to contact [a member of the Gould & Ratner team](#) if you have any questions regarding the benefits provisions of the OBBBA.