

# The One Big Beautiful Bill Act and What It Means for Employers



On July 4, 2025, a sweeping tax and spending bill, commonly referred to as the “[One Big Beautiful Bill Act](#)” (OBBBA), was signed into law. Although significantly pared down from its original draft version, the OBBBA includes a broad set of changes for employee benefit plans, most of which take effect in 2026. These changes expand options for existing employee benefit plans and present new benefit-related opportunities for employers to consider for 2026.

### Health Savings Accounts (HSAs)

Significantly, the OBBBA expands access to HSAs, tax-advantaged medical savings accounts generally available to individuals who are enrolled in high-deductible health plans (HDHPs) and do not have other health coverage. The OBBBA permanently allows employers with HDHPs to provide benefits for telehealth and other remote care services before plan deductibles have been met without jeopardizing HSA eligibility. A pandemic-related relief measure temporarily allowed HDHPs to waive the deductible for telehealth services without impacting HSA eligibility; however, this bipartisan-supported relief expired at the end of the 2024 plan year. The OBBBA retroactively extends this relief, effective for plan years beginning after Jan. 1, 2025, and makes it permanent.

Employers with HDHPs should review their health plan’s coverage of telehealth services and assess if changes should be made, considering the OBBBA’s permanent extension. Any changes to telehealth coverage should be communicated to plan participants.

Effective Jan. 1, 2026, the OBBBA further expands access to HSAs by allowing individuals with direct primary care (DPC) arrangements to make HSA contributions if their monthly fees are \$150 or less (\$300 or less for family coverage). These dollar limits will be adjusted for inflation each year. A DPC arrangement is a subscription-based health care delivery model where an individual is charged a fixed periodic fee for access to medical care consisting solely of primary care services. In addition, the OBBBA treats DPC fees as a medical care expense that can be paid for using HSA funds. Given this change, employers with HDHPs may wish to explore integrating DPC arrangements into their benefits packages and should watch for regulatory guidance on related compliance issues.

### Dependent Care Assistance

Effective for 2026, the OBBBA increases the maximum annual

limit for dependent care flexible spending accounts (FSAs). Offering a dependent care FSA allows employees to save and pay for eligible dependent care expenses on a tax-free basis. Before 2026, the annual contribution limit for dependent care FSAs was \$5,000 for single individuals and married couples filing jointly and \$2,500 for married individuals filing separately. This limit, which is not indexed for inflation, has been in place since 1986 (except for a temporary increase during the COVID-19 pandemic). Effective Jan. 1, 2026, the OBBBA increases this limit to \$7,500 (or \$3,750 for married individuals filing separately).

Employers with dependent care FSAs should work with their advisors to assess how increasing their plan’s contribution limit may impact annual nondiscrimination testing results, particularly the 55% average benefits test, which ensures that highly compensated employees (HCEs) do not disproportionately participate in the plan. Note that the OBBBA also enhances the dependent care tax credit, which may further complicate nondiscrimination testing by making it more likely that non-HCEs will claim the tax credit instead of participating in their employer’s dependent care FSA. There are steps an employer can take if it is concerned about failing nondiscrimination testing, such as limiting contribution elections for HCEs. Also, employers with dependent care FSAs should review the written plan document to determine if updates are necessary due to the increased limit and communicate the new limit to employees.

Also, the OBBBA encourages employers to provide child care services to their employees by substantially increasing the child care tax credit starting in the 2026 tax year. It raises the maximum annual credit from \$150,000 to \$500,000 and boosts the percentage of qualifying expenses covered from 25% to 40%. For small businesses, the rate increases to 50%, with an annual cap of \$600,000. These thresholds will be adjusted for inflation for future years.

## Student Loan Assistance

The OBBBA expands options for employer-sponsored educational assistance programs by permanently extending and expanding student loan assistance. While educational assistance programs have been available for many years to pay expenses such as books, equipment, supplies, fees and tuition, the option to use them to pay for student loans was set to expire on Dec. 31, 2025. The OBBBA permanently extends this student loan payment option. Also, the OBBBA adjusts the tax-free benefit limit (\$5,250 per employee per year) for inflation for taxable years beginning after 2026, enhancing this benefit's long-term value.

As employees increasingly look to their employers for student loan assistance, employers that don't have an educational assistance program may want to consider establishing one to take advantage of the OBBBA's student loan provision. By offering student loan support, employers can show employees they are valued and provide them with much-needed financial assistance and support.

## Trump Accounts

Beginning in 2026, the OBBBA creates a new type of tax-advantaged account for children under age 18 called "Trump Accounts." These accounts will allow employers to contribute up to \$2,500 (adjusted annually for inflation beginning after 2027) on a tax-free basis. Trump Accounts will operate similarly to individual retirement accounts, or IRAs, where earnings grow tax-deferred. In general, annual contributions are limited to \$5,000 per child (as adjusted annually for inflation beginning after 2027). Children born between 2025 and 2028 may be eligible to receive a special \$1,000 contribution from the federal government. Employer contributions to Trump Accounts will require a written plan document and will be subject to some of the same tax rules that apply to dependent care FSAs, such as annual nondiscrimination testing and employee notifications. The IRS is expected to proposed regulations on Trump Accounts in the future, which will likely address implementation details for employer contribution programs.

Employers should review their employee benefit offerings in light of the OBBBA's expanded options and new benefit opportunities. Employers should also keep a close eye on regulatory developments as federal agencies release guidance to implement the OBBBA's changes. Finally, communicating with employees about expanded or updated employee benefits is an essential step that can help boost employee satisfaction and improve retention.