COMPLIANCE **ALERT**

President Trump Signs the One Big Beautiful Bill Act into Law

July 7, 2025

Action Required:

- Employers should review and discuss whether the OBBB's new rules are applicable to their benefits programs, and evaluate whether they need to amend or eliminate existing plans.
- Your Corporate Synergies Account Manager can assist you with these updates.

On July 4, 2025, President Trump signed into law the "One Big Beautiful Bill Act" ("OBBB" or "the Act"), a new comprehensive tax and spending legislation that makes significant changes to current employee benefits laws, including provisions designed to increase the eligibility for and flexibility of health savings accounts (HSAs), and to improve dependent care FSA and telemedicine benefits.

What Should Employers and Plan Sponsors Do Next?

Employers and plan sponsors should review and discuss with their advisors the OBBB's new rules applicable to benefits and insurance programs, and specifically, evaluate whether they want to amend or eliminate existing plans, and/or offer new plan offerings, to best take advantage of some of the new flexibilities and cost savings available for HSAs, student loan repayment/educational assistance programs and other impacted plans and programs.

The government agencies tasked with implementing the Act will likely soon release new regulations and guidance designed to assist employers and plan sponsors with putting these new rules into effect. We will continue to provide updates on these developments as they arise. If you have any questions about how the OBBB may impact your organization's benefits and insurance arrangements, please contact your Corporate Synergies Account Manager. ■

↓ Full Explanation Follows ↓

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How Does the OBBB Change the Law?

Among other changes, the OBBB changes the law in the following ways:

- **HSA and DCAP Benefit Improvements:** The Act increases the eligibility for and flexibility of health savings accounts (HSAs), and increases in the maximum benefit for dependent care FSAs (discussed in more detail below).
- **COVID Relief for Telemedicine Plans Made Permanent:** The OBBB permanently extends the safe harbor for pre-deductible reimbursement of telehealth services under high deductible health plan/HSA coverage that was first made available during the COVID pandemic (discussed in more detail below).
- **Student Loan Repayment Assistance Made Permanent (and Indexed):** The Act makes permanent the ability for employers to offer tax-free student loan repayment assistance under a Code § 127 qualified educational assistance program. This provision of the Act also begins indexing the $5,250 qualified educational assistance limit (which includes student loan repayment assistance) starting in 2026.
- **Permanent Repeal of Bicycle Commuting Reimbursement:** The OBBB permanently eliminates the qualified bicycle commuting reimbursement exclusion. Additionally, for qualified transportation fringe benefits other than the qualified bicycle commuting reimbursement, this provision adds an additional year of inflation adjustment.
- **Preservation of the TCJA's Tax Benefits for Employers and Individuals:** The OBBB makes permanent or extends several of the provisions of the 2017 Tax Cuts and Jobs Act (TCJA), including its lower marginal tax rates for individuals and increased deductions for businesses. It will also increase the child tax credit from $2,000 to $2,200 and makes the credit indexed for inflation beginning in 2026.
- **Enhancement of Employer-provided Child Care Tax Credit:** Under current law, the employer-provided child care tax credit provides businesses a nonrefundable tax credit of up to $150,000 per year on up to 25% of qualified child care expenses provided to employees. The Act permanently increases the credit, creates a separate credit amount for qualified small businesses and indexes the maximum credit amounts for inflation. Specifically, the maximum credit increases from $150,000 to $500,000, and the percentage of qualified child care expenses covered from 25% to 40%.
- **Enhancement of 529 Account Benefits:** The OBBB makes additional expenses treated as qualified higher education expenses for purposes of 529 accounts. Specifically, the Act now allows tax-exempt distributions from 529 savings plans to be used for educational expenses in connection with enrollment or attendance at an elementary or secondary school, including, among other expenses, curriculum materials, books, online educational materials, certain testing fees and certain educational therapies for students with disabilities.
- **Creation of New "Trump Accounts" with Tax-Free Employer Contribution Option:** The Act creates new tax-favored investment accounts for children that operate under similar rules to individual retirement accounts (IRAs). The new "Trump Accounts," which will become available in 2026, have a $5,000 contribution limit per child annually, and children born in the years 2025-2028 will receive a $1,000 contribution from the U.S. government. Like IRA investments, Trump Account investments grow tax-deferred and distributions from the account are not allowed until the child attains the age of 18. Trump Accounts will also be available as an employee benefit. Employers will be allowed to contribute up to $2,500 per year (indexed) on a tax-free basis to the Trump Accounts of employees or their dependents.
- **Enhancement and Extension of Paid Family Leave Tax Incentives:** The OBBB makes permanent (for taxable years beginning after December 31, 2025) the paid family and medical leave tax credit initially made available under the TCJA (under Code § 45S) that was designed to allow employers offering paid family and medical leave to offset the costs of this benefit with credits against

employees' wages, up to a designated percentage of each employee's wages covered by the employer.

- Reforms to ACA Exchange Rules and Medicaid: The Act implements numerous changes to ACA Exchange rules, including new pre-enrollment verification requirements, and to Medicaid eligibility and financing rules, including a new work requirement for Medicaid eligibility. These changes will likely increase costs for individuals enrolled in ACA Exchange and Medicaid plans.

What was Not Included in the Final Version of the Act?

The final version of the OBBB did not include some of the provisions contained in earlier versions, including the following:

- Changes to ICHRA Rules: The final version did not adopt the new "CHOICE Arrangement" incentives and other rules included in the original House-passed version of the Act that were designed to improve individual coverage health reimbursement arrangements (ICHRAs).
- Changes to HSA Rules: The final version did not adopt changes included in the original House-passed bill that were designed to improve HSAs, including increased contribution limits, rules allowing individuals who enroll in Medicare Part A to be HSA-eligible, and rules that would have allowed HSA funds to be used for gym memberships and other similar types of exercise program costs, up to $500 per year.
- ACA Cost Sharing Reduction Subsidies and Extension of Enhanced ACA Tax Credits: The final version did not include a reinstatement of government funding for ACA cost sharing reduction (CSR) subsidies that were included in the original House-passed bill. The reinstatement of the funding for CSR subsidies would have likely lowered costs for certain individuals enrolled in ACA Exchange plans. Additionally, the final version did not extend certain enhanced tax credits for ACA Exchange enrollees making between 100% and 400% of the federal poverty line that were initially made available under the American Rescue Plan Act and then extended through 2025 by the Inflation Reduction Act.

What are the OBBB's New Rules Designed to Improve HSAs? How will its new Telemedicine Relief Rules Work?

While not as extensive as the original House-passed version of the Act, the OBBB expands HSA eligibility and access in three different areas, with the third area discussed below directly related to the Act's new telemedicine relief rules:

HSA Expansion #1 - Expansion of Exchange Plan Integration with HSAs:

Effective for plan years beginning on or after January 1, 2026, the OBBB now automatically treats all Bronze and Catastrophic plans that are available to individuals on the ACA Exchanges as qualified HDHPs, and thus, as HSA compatible. As a result of this change, any individual enrolled in these types of Exchange plans is eligible to make contributions into an HSA account.

This is a significant change for individuals enrolled in such plans, especially because many Bronze-level plans currently do not qualify as an HDHP because they provide pre-deductible coverage of non-preventive services (prescription drugs, for example), and many Catastrophic plans do not qualify as HDHPs because of the way that they were designed (for example, they don't utilize the HDHP minimum deductible and out-of-pocket maximum thresholds).

HSA Expansion #2 - Direct Primary Care No Longer Disqualifying Coverage and Now a New HSA-eligible Expense:

Effective for plan years beginning on or after January 1, 2026, the OBBB changes the law to specifically exclude direct primary care (DPC) arrangements from being a form of HSA-disqualifying coverage (that is, it allows DPC coverage to be HSA-compatible). DPC fees cannot exceed $150 per month (indexed) for individual coverage, or $300 per month (indexed) for family coverage, to qualify for the exemption. The OBBB also provides that such DPC fees are a qualified medical expense that can be paid tax-free from the HSA.

As background, DPC coverage has never been allowed to be integrated with HSA eligibility. In a typical DPC service arrangement, the monthly fee covers comprehensive medical services (for example, chronic condition management) that an HDHP can cover only after the minimum deductible is met. Additionally, because most DPCs provide first-dollar coverage for these non-preventive services, this inherently conflicted with the HSA eligibility requirement that no other plan cover such expenses before the deductible.

Inclusion of this provision in the OBBB was a big win for the DPC industry, and it will likely encourage increased interest in DPC benefits from employers and plan sponsors across the country.

HSA Expansion #3 - First-Dollar Telemedicine Coverage Reinstated and Made Permanent:

The OBBB has reinstated and made permanent the COVID-era relief that permitted telemedicine coverage to be provided as first-dollar coverage, that is, before payment of the minimum annual deductible on high deductible health plans (HDHPs).

As background, legislation passed during the COVID pandemic, including the CARES Act and subsequent laws, all provided relief from HDHPs' minimum deductible requirement for telemedicine and other remote care services, regardless of whether such services were for preventive care. This prior relief allowed individuals enrolled in HDHPs to maintain HSA eligibility whenever the HDHP waived the deductible for telemedicine benefits, but this prior relief had only extended to plan years beginning before January 1, 2025. Accordingly, for plan years beginning in 2025, HDHPs were required to continue imposing the minimum deductible for telemedicine and other remote care services in order for covered participants to maintain their HSA eligibility.

The OBBB now provides that this relief, allowing first-dollar telemedicine and other remote care services on HDHPs, is permanent, with this change applying retroactively to plan years beginning on or after December 31, 2024 (which is when the last extension of this relief expired). Making this relief permanent was a big win, not only for the telemedicine industry, but for employers and plan sponsors that have had to deal with the compliance-related headaches of this relief going on and off again for years.

How did the Act Improve Dependent Care FSA Benefits?

The OBBB provides that for plan years beginning on or after January 1, 2026, the dependent care FSA limit will increase to $7,500 ($3,750 for married couples filing separately). This new limit is not indexed for inflation.

Employers and plan sponsors that want to offer this newly available increased limit in 2026 should work with their FSA vendor to ensure that it implements any necessary amendments to the cafeteria plan document and summary plan description, and they should ensure that the new $7,500 limit is clearly communicated in open enrollment materials for the 2026 plan year.

When does the OBBB Go into Effect?

The OBBB went into effect when it was signed into law on July 4, 2025, but most of its rules impacting employee benefits will only go into effect on January 1, 2026.

How Does the OBBB Impact Employers and Plan Sponsors?

The Act's new tax relief and benefits provisions are going to have a significant impact on employers' and plan sponsors' benefits and insurance programs, but not as significant as earlier drafts of the Act would have been. More specifically, while the changes to HSAs and other tax-favored benefits programs will be beneficial to employers and plan sponsors, these changes were not as sweeping and comprehensive as the initially contemplated changes drafted in the initial House-passed version of the legislation.

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If you have any additional questions, please call your Corporate Synergies Account Manager or 866.CSG.1719.