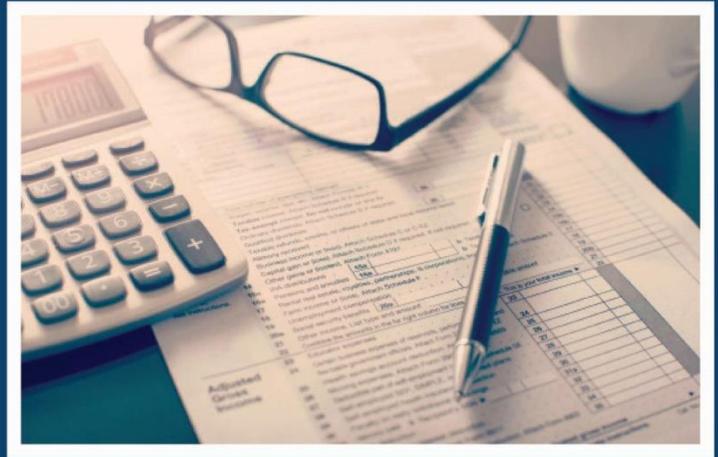


The “One Big Beautiful Bill Act” Includes Changes for Employee Benefits

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On July 4, 2025, President Donald Trump signed a major tax and spending bill, commonly referred to as the “[One Big Beautiful Bill Act](#)” (OBBA Act), into law. The OBBA Act includes changes for employee benefit plans, including provisions that:

- Expand the availability of health savings accounts (HSAs);
- Permanently extend the telehealth exception for high deductible health plans (HDHPs);
- Increase the maximum annual limit for dependent care flexible spending accounts (FSAs);
- Allow employers to help pay employees’ student loans beyond 2025 and make cost-of-living adjustments to the tax exclusion for educational assistance programs; and
- Allow employers to contribute up to \$2,500 per year to a new type of tax-advantaged account for children, called a “Trump Account.”

HSA Expansion

Only eligible individuals can establish HSAs and make HSA contributions (or have them made on their behalf). To be HSA-eligible, an individual must:

- Be covered by an HDHP;
- Not be covered by any health plan that provides coverage below the minimum required HDHP deductible, with some limited exceptions;
- Not be enrolled in Medicare; and
- Not be eligible to be claimed as a dependent on another person’s tax return.

Effective Jan. 1, 2026, the OBBA Act expands HSA eligibility 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 annually for inflation. 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 OBBA Act treats DPC fees as a medical care expense that can be paid for using HSA funds.

HDHP Telehealth Exception

The OBBA Act includes measures to expand the use of health savings accounts (HSAs). One of the new measures permanently extends the ability of HDHPs to provide benefits for telehealth and other remote care services before plan deductibles have been met without jeopardizing HSA eligibility.

To be eligible for HSA contributions, individuals cannot be covered by a health plan that provides benefits, except preventive care benefits, before the minimum HDHP deductible is satisfied for the year. Historically, individuals who were covered by telehealth programs that provided free or reduced-cost medical benefits were not eligible for HSA contributions.

However, in response to the COVID-19 pandemic, the U.S. Congress enacted legislation that temporarily allowed HDHPs to provide benefits for telehealth or other remote care services before plan deductibles were met. This relief became effective in 2020 and applied to plan years beginning before Jan. 1, 2022. A federal spending bill extended this relief to telehealth services provided in months beginning after March 31, 2022, and before Jan. 1, 2023. At the end of 2022, Congress further extended this first-dollar coverage for telehealth services to plan years beginning after Dec. 31, 2022, and before Jan. 1, 2025.

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This exception for first-dollar telehealth services expired at the end of the 2024 plan year (i.e., Dec. 31, 2024, for calendar-year HDHPs). However, the **new legislation permanently extends this relief, effective for plan years beginning on or after Jan. 1, 2025.**

Due to the permanent extension, **HDHPs may waive the deductible for any telehealth or other remote care services for plan years beginning in 2025 and beyond** without causing participants to lose HSA eligibility. This provision is optional; HDHPs can apply any telehealth services, other than preventive care, toward the deductible.

Dependent Care FSAs

Currently, the annual contribution limit for dependent care FSAs is \$5,000 for single individuals and married couples filing jointly and \$2,500 for married individuals filing separately. This limit has been in place since 1986 (except for a temporary increase during the COVID-19 pandemic). **Effective Jan. 1, 2026, the OBBB Act increases this limit to \$7,500 for single individuals and married couples filing jointly and \$3,750 for married individuals filing separately.**

Educational Assistance Programs – Student Loans

Employers can offer programs to provide employees with undergraduate or graduate-level educational assistance. Educational assistance programs can pay for employees' books, equipment, supplies, tuition and other fees. Also, these programs can pay principal and interest on employees' student loans. The option to use educational assistance programs for student loans was set to expire on Dec. 31, 2025. However, the OBBB Act **permanently extends this student loan payment option.**

Also, tax-free benefits under an educational assistance program are limited to **\$5,250 per employee per year.** Typically, educational assistance provided above this level is taxable as wages. Effective for taxable years beginning after 2026, the OBBB Act annually adjusts the \$5,250 limit for inflation.

Trump Accounts

The OBBB Act creates a new type of federal tax-favored account for children, called Trump Accounts, effective for tax years beginning in 2026.

Employers that establish a Trump Account Contribution Program can contribute **up to \$2,500 per year on a tax-free basis** to the Trump Accounts of employees' dependents (or teenage employees). This program must be established pursuant to a written plan document and must meet certain tax rules that apply to dependent care assistance programs.

Key features of Trump Accounts include the following:

- Children born in 2025-28 may be eligible to receive a special \$1,000 contribution from the federal government;
- Annual contributions are generally limited to \$5,000 and may only be made beginning 12 months after the OBBB Act's enactment (i.e., July 4, 2026) and only until the child reaches age 18;
- The accounts are treated similarly to traditional individual retirement accounts for tax purposes, although taxpayers' contributions are not tax deductible; and
- Withdrawals are only permitted after the account beneficiary reaches age 18.

Provided by Lawley

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