

CHECKLIST | THE OBBA ACT'S WORKPLACE IMPACT

Presented by VantagePointe Benefit Solutions, Inc

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 employers, including provisions that:

- Increase the maximum annual limit for dependent care flexible spending accounts (FSAs);
- Permanently allows employers to take a credit for their paid family and medical leave (PFML) expenditures;
- Permanently extend the telehealth exception for high deductible health plans (HDHPs);
- Allow employers to help pay employees' student loans beyond 2025 and make cost-of-living adjustments to the tax exclusion for educational assistance programs;
- Allow employers to contribute up to \$2,500 per year to a new type of tax-advantaged account for children, called Trump Accounts; and
- Allow certain workers an above-the-line deduction for "qualified tips" and "qualified overtime compensation."

The following sections provide a broad overview of employment-related provisions from the OBBA Act and corresponding action items for employers to review. This checklist is not comprehensive and does not account for the entirety of the legislation.

OBBA Act Increases Dependent Care FSA Limit

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 OBBA Act increases this limit to \$7,500 for single individuals and married couples filing jointly and \$3,750 for married individuals filing separately.

Employers that increase the contribution limit for their dependent care FSAs for 2026 should consider the following steps:

Employer Checklist	Complete
Assess how the increased limit may impact the plan's annual nondiscrimination testing results, particularly the 55% average benefits test.	☐
Review the written plan document to determine if updates are necessary due to the increased limit.	☐
Communicate the new limit to employees as part of the open enrollment process.	☐

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OBBB Act Expands and Makes Permanent Employer Tax Credit for PFML

The OBBB Act affected a tax code [provision](#) that allows employers to take a credit for their PFML expenditures. In brief, the OBBB Act makes the tax credit permanent and broadens its coverage to PFML insurance premiums and leave taken by newer employees than previously allowed, among other changes. The amendments apply to taxable years beginning after Dec. 31, 2025.

Employer Checklist	Complete
Employers that provide PFML voluntarily should review the amendments and their leave policies to determine whether they qualify for this potentially valuable tax credit.	☐

OBBB Act Permanently Extended Pre-deductible Telehealth Coverage for HDHPs/HSAs

The OBBB 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.

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.

Employer Checklist	Complete
Employers with HDHPs should review their health plan's coverage of telehealth services to determine if changes should be made.	☐
Communicate any changes to telehealth coverage to plan participants through an updated Summary Plan Description or a Summary of Material Modifications.	☐

OBBB Act Makes Student Loan Repayment Benefit Permanent

Since 2020, employers that offer educational assistance programs have been able to use them to help pay for their employees' student loans. 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. However, the OBBB Act permanently extends this student loan provision.

In most cases, educational benefits are excluded from federal income tax withholding, Social Security tax, Medicare tax and federal employment (or FUTA) tax. Under current law, tax-free benefits under an educational assistance program are limited to \$5,250 per employee per year, and assistance provided above this level is typically taxable as wages. Effective for taxable years beginning after 2026, the OBBB Act provides for annual inflation adjustments to the \$5,250 limit.

Employer Checklist	Complete
Employers may continue to use educational assistance programs to pay principal and interest on an employee's qualified education loans. Payments made directly to the lender, as well as those made to the employee, may qualify.	☐
For information on other requirements, see IRS Publication 15-B , "Employer's Tax Guide to Fringe Benefits," or Publication 970 , "Tax Benefits for Education."	☐

OBBB Act Creates New Tax-favored Accounts for Children

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.

Employer Checklist	Complete
The IRS is expected to issue guidance on Trump Accounts in the future, which will likely address eligibility criteria, implementation timelines and administration details. Employers that are interested in the Trump Account Contribution Program should watch for this guidance.	☐

OBBB Act Eliminates Taxes on Qualified Tips and Overtime Compensation

The OBBB Act would allow certain workers an above-the-line deduction for “qualified tips” and “qualified overtime compensation” for taxable years beginning after Dec. 31, 2024, and ending for taxable years beginning after Dec. 31, 2028.

Tip Deductions

Section 70201 of the OBBB Act creates a new above-the-line tax deduction for qualified tips. Individuals must earn \$150,000 or less (\$300,000 if married filing jointly) in 2025 to be eligible for the tip deduction. The maximum deduction for tip income is capped at \$25,000 per year, and the deduction only applies to cash tips, which include tips that are charged and tips received under a tip-sharing agreement. To be considered a qualified tip, the tip must be paid voluntarily without any consequence in the event of nonpayment, not be subject to negotiation and be determined by the payor.

To qualify for the tip deduction, individuals must work in occupations where receiving tips is customary (e.g., servers, bartenders, hotel staff, hairstylists) on or before Dec. 31, 2024. The OBBB Act does not change the requirement that employees and employers report all tips to the IRS. Individuals must include their Social Security number (and, if married and filing jointly, their spouse’s Social Security number) on their tax return to receive the deduction.

Overtime Deductions

Section 70202 of the OBBB Act establishes a new above-the-line tax deduction for qualified overtime compensation. The OBBB Act defines “qualified overtime compensation” as overtime compensation paid to an individual required under Section 7 of the Fair Labor Standards Act that is in excess of the regular rate at which the individual is paid. The maximum deduction for overtime income is capped at \$12,500 per year (\$25,000 per year if married filing jointly). The deduction decreases for those earning over \$150,000 per year. Employers must include the total amount of qualified overtime compensation as a separate line item on employees’ Form W-2. Qualified tips cannot be claimed as qualified overtime compensation. Similar to qualified tips, individuals must include their Social Security number (and, if married and filing jointly, their spouse’s Social Security number) on their tax return to receive the deduction.

Employer Checklist	Complete
Adjust payroll systems to accurately track and report qualifying tips and overtime compensation on employees’ Forms W-2.	☐

This checklist provides only a general overview of these provisions of the OBBB Act. For more resources on any of these topics, reach out today.