

LEGAL UPDATE



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

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.”

HIGHLIGHTS

Key employee benefit changes made by the OBBA Act include the following:

- Making the telehealth exception for HDHPs permanent;
- Increasing the maximum annual limit for dependent care FSAs;
- Allowing employers to continue paying employees’ student loans beyond 2025;
- Adjusting the tax exclusion for educational assistance programs for inflation; and
- Allowing employers to make contributions to a new type of tax-advantaged savings account for children.

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.

Also, to expand the accessibility of HSAs in the individual market, the OBBA Act **categorizes as HDHPs all bronze plans and catastrophic plans** that are available through an Affordable Care Act (ACA) Exchange. This change is effective Jan. 1, 2026. Bronze plans have the highest deductibles and lowest premiums among the four categories (or metal levels) of individual plans. Catastrophic plans have lower premiums than bronze plans and very high deductibles.



HDHP Telehealth Exception

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.

A pandemic-related relief measure temporarily allowed HDHPs to waive the deductible for telehealth services without impacting HSA eligibility. This relief expired at the end of the 2024 plan year. However, the OBBB Act **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. This extension applies to plan years beginning after Dec. 31, 2024.

Dependent Care FSAs

Employers can provide dependent care assistance benefits for their employees on a tax-free basis, subject to a maximum annual limit. These benefit plans are referred to as dependent care FSAs (or dependent care assistance programs, DCAPs). Effective Jan. 1, 2026, the OBBB Act increases the maximum annual limit for dependent care FSAs to **\$7,500** for single individuals and married couples filing jointly and **\$3,750** for married individuals filing separately (up from \$5,000 and \$2,500, respectively). The new limit is not adjusted for inflation.

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 tax-advantaged savings account for children under age 18, named a "Trump Account." Effective in 2026, 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). The OBBB Act provides that children born in 2025-2028 may be eligible to receive a special \$1,000 contribution from the federal government.

Employers may make **tax-free contributions** to the Trump Account of an employee or an employee's dependent of up to **\$2,500 per year** (as adjusted annually for inflation beginning after 2027). These programs 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.