

Unpacking the One Big Beautiful Bill's Employee Benefit Provisions

Alert

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By Lisa Rippey & Stephanie Schmid

On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act (Act), a sweeping tax and spending package, which includes provisions that impact employee benefit plans. These changes affect health savings account (HSA) eligibility, telehealth services, dependent care assistance limits, and other fringe benefits. The telehealth relief is effective in 2025 and the remaining changes will not be effective until 2026.

PERMANENT TELEHEALTH RELIEF FOR HDHPS

To be eligible to make contributions to an HSA, employees must be covered by a high-deductible health plan (HDHP), which generally cannot cover medical expenses (excluding preventive care) until the minimum HDHP deductible is met. Historically this meant that if a group health plan provided telehealth coverage without requiring the participant to pay market value prior to the participant satisfying the HDHP deductible, the coverage would have caused the participant to lose HSA eligibility.

To support broader access to care during the COVID-19 pandemic, Congress temporarily allowed HDHPs to offer first-dollar coverage for telehealth. That temporary relief was renewed multiple times but only extended to plan years beginning before Jan. 1, 2025.

The Act permanently extends the telehealth relief allowing HDHPs to provide first-dollar coverage of telehealth without impacting HSA eligibility. This change is effective retroactively for plan years beginning on or after Jan. 1, 2025. Employers who began charging HDHP participants fair market value for telehealth services on Jan. 1, 2025, should consider whether offering first-dollar coverage aligns with the company's cost-control and employee well-being strategies. Employers wanting to offer first-dollar coverage for

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telehealth should work with legal counsel to ensure plan documents and participant communications are updated accordingly and reflect plan operations.

DIRECT PRIMARY CARE COVERAGE AND HSA ELIGIBILITY

The Act makes direct primary care service arrangements, which provide access to certain primary care services for a fixed monthly fee, compatible with HSA participation. The Act defines direct primary care services and specifically excludes certain services that might otherwise be considered primary care, such as prescription drugs (other than vaccines).

Effective Jan. 1, 2026, direct primary care arrangements will not be considered disqualifying coverage for purposes of HSA eligibility, as long as the membership fee does not exceed \$150 per month for an individual or \$300 per month for a family. The Act also clarifies that direct primary care fees within these limits are considered qualified medical expenses that are eligible for reimbursement from an HSA.

INCREASED DEPENDENT CARE FSA LIMITS

Starting with tax years after Dec. 31, 2025, the annual limit for a dependent care flexible spending account (FSA) increases from \$5,000 (\$2,500 for married couples filing separately) to \$7,500 (\$3,750 for married couples filing separately). The annual limit will not be indexed for inflation in future years.

Employers wishing to increase the dependent care FSA limit for 2026 should work with their third-party administrators and legal counsel to adopt necessary plan amendments and update participant communications. Employers should also conduct periodic nondiscrimination testing throughout 2026, which may be more difficult to pass with a higher contribution limit, and consider whether contributions should be limited for some participants.

PERMANENT STUDENT LOAN REPAYMENT ASSISTANCE

Employers may provide up to \$5,250 per year to employees on a tax-free basis for certain education expenses (such as tuition, fees, books and supplies) through qualified educational assistance programs that meet the requirements of Section 127 of the Internal Revenue Code. During the pandemic, Congress passed legislation temporarily allowing employers to use qualified educational assistance programs to pay for or reimburse an employee's qualified student loans.

The Act permanently extends the ability of employers to pay or reimburse qualified student loan payments on a tax-free basis through qualified education assistance programs. In addition, the \$5,250 annual limit for qualified education assistance programs will be indexed for inflation starting in 2026. Employers wanting to take advantage of this permanent option should work with legal counsel to update plan documents accordingly.

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TRUMP ACCOUNT BENEFITS

Beginning in 2026, children under 18 will be eligible to participate in a new tax-advantaged savings program, which uses accounts known as "Trump Accounts." These accounts will have a \$5,000 annual contribution limit, which will be indexed for inflation. Investments in these accounts grow on a tax-deferred basis, and distributions are generally prohibited until the child attains age 18.

Employers may adopt Trump Account contribution programs and contribute up to \$2,500 per year (as indexed for inflation) on a tax-free basis to a Trump Account of an employee or an employee's dependent. However, this requires employers to adopt written plan documents, and the program must meet nondiscrimination requirements similar to those applicable to dependent care FSAs.

ADDITIONAL EMPLOYER PROVISIONS

Additional information about some of the Act's other tax provisions that affect employers, including the expanded application of tax on excess compensation with respect to tax-exempt organizations, is available in our recent published alert: "[One Big Beautiful Bill Explained.](#)"

Please contact [Audrey Fenske](#), [Lisa Rippey](#) or [Stephanie Schmid](#) if you have questions about the One Big Beautiful Bill's employee benefit provisions.

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