



One Big Beautiful Bill Act; Is it Really Beautiful or Did it Fall Short? A Summary To Prepare for Our Clients' Questions During 4th Quarter

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We've all been hearing about it for months. Things were of course tense in Washington, DC and Republican legislators had to put some extra time in lobbying for its passage; some even within their own party. But it finally happened, and of course, in a dramatic fashion, with President Trump signing the bill (OBBA) into law on Independence Day, July 4, 2025, while most of us were eating BBQ or celebrating with friends and families at a beach, a campground or a back yard somewhere.

This 940-page bill is definitely big... in terms of what it covers and the length of the pages. To summarize it isn't easy, but I'll try to include the parts of it that are of interest to human resources, benefits brokers, and to the general public, perhaps with more information than you may have heard in the post 4th of July holiday weekend news outlets.

Impacts and of Interest to Human Resources Professionals & Benefits Professionals

Employee Benefit Plans & Medicaid and ACA Marketplace Provisions

- [Telehealth Relief Becomes Permanent for High Deductible Health Plans](#)

One of the provisions of the OBBA that many are pleased with are the telehealth first-dollar services that were created during the COVID-19 pandemic era, which was part of the CARES Act, has now become permanent. Specifically, the Coronavirus Aid, Relief and Economic Security Act permitted coverage for telehealth services by HSA-compatible high deductible health plans before a person meets their deductible. That benefit expired on December 31, 2024. The OBBA makes this relief permanent, retroactive to December 31, 2024. The OBBA codifies the safe harbor effective for plan years beginning on or after December 31, 2024, and allows HDHPs to cover telehealth services before the deductible is met without affecting HSA eligibility.

To clarify and assist readers with understanding this, I asked my friend and benefits attorney, Marilyn Monahan, if she'd like to comment on this provision.

"To explain this change to HSAs, some background might be helpful," Marilyn stated. "If you are covered by a high deductible health plan (HDHP)—and you are not covered by any other disqualifying health plans, such as a non-HDHP health plan or a general purpose flexible spending account (FSA)—you are generally eligible to contribute to a health savings account (HSA). An HSA lets you set aside money on a pre-tax basis to pay for qualified medical expenses (like some dental, drug, and vision expenses).

"An individual can lose HSA eligibility under certain circumstances. For example, you lose HSA eligibility if your health plan pays for benefits below the minimum annual deductible for a HDHP. One exception to this rule, however, is that a plan may provide preventive care benefits without a deductible or with a deductible less than the minimum annual deductible. Another exception to the rule was created during the pandemic, due to the popularity of telehealth services. First through the CARES Act and then the Consolidated Appropriations Act, 2023, Congress allowed telehealth services to be reimbursed without a deductible or with a deductible less than the minimum annual deductible for a HDHP without loss of HSA eligibility. However, this telehealth exception created during the pandemic has expired for almost all plans."

Marilyn continued; "The good news for employers and participants is that the OBBA revives the telehealth exception and makes it permanent. This means that a HDHP can reimburse telehealth benefits and other remote care services without a deductible (in other words, first-dollar coverage) or below the HDHP minimum annual deductible and participants will still be eligible to contribute to an HSA. This change is retroactive for plan years beginning on or after January 1, 2025."

Because this is an actual change to your benefits, I asked Marilyn about the official or legal requirements brokers and human resources professionals should be aware of.

“A plan amendment may be necessary to implement this change, as well as coordination with your carrier (for fully insured plans) or your TPA (for self-funded plans),” Marilyn commented. “Notice to employees should also be provided so that they understand this change in benefits.”

- [Bronze Plan HSA-Compatible Plan Allowance](#)

Traditionally HSAs could only be coupled with high-deductible health plans that met certain out-of-pocket spending limits. Under the OBBB, eligibility has been expanded to include bronze-level plans and catastrophic plans. HSAs will be deemed as compatible with ACA bronze-level plans and catastrophic plans, even if the annual out-of-pocket spending limits exceed the limits previously permitted for HSA-compatible HDHPs.

- [HSA Reimbursement for Direct Primary Care](#)

Under the OBBB, owners of HSAs will be allowed to spend up to \$150 per month for individuals and \$300 per month for a family, to pay for certain direct primary care practice memberships. I asked Marilyn to help me explain this provision to readers.

“Under the OBBB, a participant in a HDHP may receive services under a ‘direct primary care’ arrangement without losing HSA eligibility. A ‘direct primary care arrangement,’ with respect to any individual, is an arrangement under which the individual is provided medical care consisting solely of primary care services provided by a primary care practitioner and the sole compensation for such care is a fixed periodic fee. This provision shall not apply if the aggregate fees for all direct primary care service arrangements for an individual for a month exceeds \$150, or \$300 for more than one person.”

I asked Marilyn to clarify what is not included in this provision. “The term ‘primary care services’ does not include (i) procedures that require the use of general anesthesia, (ii) prescription drugs (other than vaccines), and (iii) laboratory services not typically administered in an ambulatory primary care setting,” Marilyn responded.

Marilyn continued: “The direct primary care fees are also qualified HSA expenses, so long as the limits are not exceeded.”

This provision is not retroactive. I asked Marilyn to share with us the effective date of this provision. “This change is effective for months beginning on or after January 1, 2026. Regulations will be issued to implement this provision.”

- [Increase to Dependent Care Flexible Spending Accounts](#)

Many people have enjoyed the use of a Dependent Care Flexible Spending Account (DCFSA, or DCAPs), which historically put forth a limit of \$5,000, or \$2,500 for married couples filing separately, before inflation indexing. After several decades of this benefit, the OBBB increased the limit for tax years beginning on or after January 1, 2026.

I asked Marilyn Monahan once again to comment on this change.

“Under current rules, there is a \$5,000 limit on contributions to a dependent care spending account (or DCAP). This limit is not adjusted for inflation, so it has remained at \$5,000 year after year. However, the OBBB changes the rules on the contribution limit. For plan years beginning on or after January 1, 2026, the contribution limit will permanently increase to \$7,500—the new limit will remain static, however, and will not be indexed for inflation.”

I also asked Marilyn to tell us her thoughts on the nondiscrimination testing and if that will make it easier or more difficult for employers, and if plan amendments will be necessary? “Many employers offering DCAPs find that the plans often fail nondiscrimination testing because they tend to be more attractive to highly compensated employees. This situation is not likely to change with the increase in the contribution limit. If an employer wishes to raise the contribution limit on its DCAP—and employers are not obligated to do so—a cafeteria plan amendment may be required. Employers should also coordinate any change in plan terms with their TPA.”

- [Limited Eligibility for Premium Tax Credits](#)

Perhaps one of the more controversial provisions of the OBBB, but certainly consistent with the Trump Administration's stance on immigration, is the OBBB's modification to the eligibility rules for individuals wanting to receive a premium tax credit under the ACA for health benefits.

Effective for tax years beginning on or after December 31, 2025, *individuals that have a household income of less than 100% of the federal poverty level who are ineligible for Medicaid due to their alien status are also not eligible for premium tax credits.*

Effective for tax years beginning on or after December 31, 2027, *individuals who are aliens are not eligible for premium tax credits unless they qualify for certain specified "resident" status or as specified refugees from Cuba or Haiti, and an eligibility for individual premium tax credits must be verified by the exchange annually.* This means they will not be eligible for automatic re-enrollment.

Additionally, for tax years beginning after December 31, 2025, *there will no longer be a premium tax credit available for mid-year special enrollments due to changes in expected household income and individuals who receive advance payments of premium tax credits are liable for the full amount of any excess advance payments that they receive.* In essence, the prior limitations have been removed.

- [Continuation of Employer-Provided Educational Assistance](#)

Under current/prior law, employers were allowed to provide educational assistance for an employee's educational expenses, including tuition, fees, books, supplies, equipment and student loan payments made before January 1, 2026, up to \$5,250, but limited to a 50% deduction of the expense. No deduction was to be allowed after 2025.

The final language in the OBBB makes this tax exclusion permanent. In addition, employer-provided educational assistance payments made after December 31, 2025, and the \$5,250 maximum will be indexed for inflation each year. It's interesting to note that the amount of \$5,250 had been in place since 1979.

Because Marilyn Monahan and I have talked about this tax deduction for employers favorably in seminars and webinars for several years, I asked her to comment on this provision of the OBBB.

"Section 127 of the Internal Revenue Code permits employers to set up educational assistance programs through which employers may pay certain educational expenses of their employees and the amount of the payment will not be included in the employee's gross income for federal income tax purposes. The OBBB makes two significant changes to section 127," Marilyn stated.

"In the past, the only expenses employers could reimburse through an educational assistance program were tuition, books, and related expenses. Legislation passed during the pandemic (the CARES Act) expanded section 127 to also allow employers to reimburse the principal or interest on qualified education loans. However, this expansion was set to expire at the end of this year. The OBBB made this expansion permanent, so employers can set up a program to help their employees pay down their student loan debt. This is the first significant change the OBBB made to section 127.

"The second change has to do with the limit on the contribution amount. Prior to the OBBB, the annual employer contribution limit was \$5,250, and that amount was not adjusted for inflation. As a result of the OBBB, the contribution limit will now adjust each year, and the adjusted limit will apply to all benefits provided through an educational assistance program."

Again, because Marilyn and I have discussed this in numerous seminar/webinars, I wanted her to share her thoughts (and mine) about how this benefit is perceived by employers and how it may impact the hiring process when looking for talent. "These changes will be welcomed by employers who are looking to add a new benefit that will help attract and retain talent with significant student loan debt."

There is one caution, however, for California employers using this benefit. "Employers should recognize, however, that the tax break is only available at the federal level; California has not passed conforming legislation," Marilyn stated.

- [Increased Child Care Tax Credit](#)

The final language in the OBBB Act increases the amount of tax credits that employers may claim for employer-provided child care. These increases are for amounts incurred or paid after December 31, 2025. Employers may claim up to 40% of their qualified child care expenses, up to a maximum credit of \$500,000. Eligible small businesses can claim up to 50% up to \$600,000. This amount will be indexed in future years.

- [Medicaid and Potential Future Employer/Plan Sponsor Impact](#)

Given that you've all probably heard in the media that the OBBB made significant changes to Medicaid, which will most likely result in a reduction in participation in the Medicaid program, including California's Medi-Cal program. Overall, the OBBB includes work requirements for ACA expansion states, reductions in federal matching rates for certain services, and limitations on provider taxes. Specifically, the OBBB *adds work requirements* for eligibility, which were never included in the past, effective January 1, 2027, but states have the option to have an earlier work requirement option. The OBBB requires individuals to prove that they are working, engaging in community service, or receiving work training at least 80 hours per month, or are enrolled in school at least part-time, unless they qualify for an exemption. In addition, they will add *new and more stringent and frequent eligibility verifications* to qualify for and remain on Medicaid programs. Some of these provisions will be effective for renewals dated on or after December 31, 2026, and some provisions will be effective in 2027.

Advocates of the OBBB claim that it will stop "the subsidization of competent adults who are choosing not to work." However, others state that the reality is that nearly all Medicaid recipients aren't automatically eligible based on supplemental security income (SSI) or Social Security Disability Insurance (SSDI), and those able to work are already working.

An interesting provision within the OBBB related to Medicaid is that it *requires states to impose Medicaid cost-sharing of up to \$35 per service* on "expansion adults" with incomes of 100-138% of the federal poverty level, with some exceptions for certain services. These provisions will be effective on October 1, 2028.

Another state provision is that the OBBB *prohibits states from establishing any new Medicaid provider taxes or from increasing the rates of existing taxes*, with some of these provisions effective now and some in 2027.

An issue widely discussed in the media is the *restricted definition of qualified immigrants* for purposes of the CHIP or Medicaid eligibility to "lawful permanent residents (ie "green card" holders), certain Cuban and Haitian immigrants, citizens of the Freely Associated States (COFA migrants) that are residing in the USA lawfully, and lawfully residing children and pregnant adults in the states that cover them under the ICHIA option. These provisions are effective October 1, 2026.

Currently, individuals with medical conditions and no health plan coverage may be eligible in some cases for retroactive coverage (previously 90 days). Under the OBBB Medicaid provisions, *the retroactive Medicaid coverage options will be reduced* to one month prior to the date of application, effective January 1, 2027.

The nonpartisan Congressional Budget Office (CBO) has estimated that the OBBB will cut federal spending on Medicaid and the CHIP program benefits by \$1.02 trillion, due in part to eliminating at least 10.5 million people from the Medicaid programs by 2034. Many fear that the reduction in federal funding of Medicare programs will result in states cutting optional benefits and community-based programs first. The OBBB creates a new category for home and community-based program waivers.

The plan sponsor employer is affected by these changes because if someone does not satisfy Medicaid work requirements, they will not qualify for a premium tax credit (PTC) when enrolling in a Marketplace plan, which could result in more eligible employees and/or their dependents enrolling in an employer's group health plan. This is effective January 1, 2027, or earlier if states put in place an earlier date.

- [ACA Marketplace Impact and Potential Employer/Plan Sponsor Impact](#)

The OBBB makes many changes to the Affordable Care Act's (ACA) Marketplaces, including both the federal marketplace and state marketplaces. The increased PTC will end at the end of 2025, so Marketplace coverage will be less affordable for many, effective January 1, 2026. The OBBB ends automatic re-enrollment in Marketplace plans, forcing enrollees/participants to have to affirmatively re-enroll every year. This is effective for taxable years beginning on or after December 31, 2027.

Similar to Medicaid provisions, the OBBB will result in more stringent documentation requirements to confirm eligibility for enrollment and PTCs. Pre-enrollment verification goes into effect for taxable years beginning on or after 2027.

The OBBB also requires that any PTC recipients reimburse any PTC excess, no matter their annual income. If participants have fluctuating income, or who understated their income when applying for a PTC will be impacted. This provision is effective for taxable years beginning January 1, 2026.

The OBBB also puts restrictions on eligibility for low-income immigrants without Medicaid coverage, effective January 1, 2026.

There will also be restrictions on eligibility for a PTC when signing up for coverage due to a special event during a special enrollment period, with the exception of those triggered by qualifying life events, including someone seeking special enrollment due to changes in their income. These provisions are effective January 1, 2026.

The OBBB also bars legal immigrants, aside from specific groups, from receiving a PTC and cost sharing reductions. Exempted groups include lawful permanent residents, Compact of Free Association (COFA) migrants, Cuban and Haitian entrants as defined in Section 501e of the Refugee Education Assistance Act of 1980. These provisions are effective January 1, 2027.

How will this impact employers? I asked Marilyn Monahan for her opinion on this. "If employees are unable to obtain coverage through Medicaid (Medi-Cal in California) or a Marketplace (Covered California in California) they are more likely to seek out employer-sponsored coverage. This will be especially true of employees who have chronic conditions and have a more immediate need for coverage. In some cases, spouses and dependents of employees who have opted for Medicaid or Marketplace coverage in lieu of family coverage under an employer-sponsored plan may, if they are unable to get coverage through one of these programs, seek coverage from their spouse's employer. Because there is typically a mandatory employee contribution with employer-sponsored coverage, those who opt to pay for family coverage are more likely to have chronic, and potentially costly, medical conditions, and this could increase utilization and cost for employers. This could be true whether the plan is self-funded or fully insured."

In addition, we anticipate an increased number of COBRA participants, particularly those with pre-existing conditions (i.e. adverse selection) if the Marketplace is no longer a cost-effective option or if Medicaid is no longer available, as well as increased administrative burdens for human resources if more employees seek mid-year election changes. There is also a possibility that employers will see increased workers' compensation claims expenses if more employees go without health coverage.

It's also quite possible that lower enrollment in the ACA marketplaces and/or Medicaid could result in higher premiums for those who remain in the Marketplace plans, which may result in more enrolling in employer-sponsored health plans.

- [Affects on Providers due to the ACA and Marketplace Changes](#)

Many fear that if the number of available hospitals, emergency rooms and other providers will decrease due to the Medicaid cuts, particularly in rural areas. This could of course lead to less overall access to healthcare, perhaps even in employer-sponsored health plans, which could result in poorer overall health outcomes and more employee dissatisfaction with coverage.

There is also a fear that fewer Medicaid and/or Marketplace participants could result in less guaranteed money paid for medical services... This could include ER visits, hospital admissions, prescription drugs, durable medical equipment, needed therapy services and more. This could result in providers increasing overall costs for other services to make up the difference in provider revenue.

- [Changes to the CMS and Marketplace Integrity Rule](#)

In addition to the OBBB, recent CMS rule changes, including the updated Marketplace Integrity Rule, which was published in June, 2025, will also affect Marketplace eligibility, and the impact will likely trickle down to employer-sponsored health plans. A fact sheet is available at <https://www.cms.gov/newsroom/fact-sheets/2025-marketplace-integrity-and-affordability-final-rule>.

Human Resources-Employment Law Impacts

I am not a Human Resources professional or consultant, and I'll leave the details of the provisions of the OBBB to them, but I did want to at least summarize some of the OBBB provisions of interest to human resources professionals and employers.

- [No Tax on Tips](#)

I know that this provision has made the headlines in many news outlets since the signing of the OBBB Act, but I do want to include it as an important provision of the Act.

The OBBB includes a new deduction for no tax on tips, effective for 2025-2028, which allows employees and self-employed individuals to deduct qualified tips received in occupations that are listed by the IRS as "customary and regularly receiving" tips on or before December 31, 2024 and that are reported on a Form W-2, Form 1099 or other specified statement furnished to the individual or reporting directly by the individual on Form 4137. More detail will be provided in the "Of Interest to the General Public" section below.

- [No Tax on Overtime](#)

This is also a new deduction for 2025, effective 2025 through 2028. Under this provision, individuals who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay- such as the "half" portion of "time and a half" compensation- that is required by the Fair Labor Standards Act (FLSA) and is reported on a form W-2, Form 1099, or other specified statement furnished to the individual. The maximum annual deduction is \$12,500 (\$25,000 for joint filers), and the deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

More detail on this will be provided in the "Of Interest to the General Public" section below.

- [No Tax Exclusion for Employer-Provided Meals](#)

Current law allows employers to provide food and beverage expenses of an employer for meals that are provided to employees through their eating facility or facilities that meet the requirements for "de minimis fringe benefits" at the workplace, such as coffee and donuts, overtime meals or other working meals. These expenses, however, are limited to a 50% deduction of the expense, and no deduction is allowed after 2025.

The final wording of the OBBB Act continues to disallow this deduction after 2025, but provides two exceptions specifically for the fishing industry... particularly in extreme/remote areas like Alaska. The exceptions are available for meals provided on certain types of fishing vessels, fish processing vessels, or fish tender vessels, or at certain facilities for the processing of fish for commercial use or consumption which are based in the United States north of 50 degrees north latitude and not located in a metropolitan statistical area.

- [Employee Leaves: Continuation of Employer Tax Credits for Paid Family & Medical Leave](#)

Again, I am definitely not an HR consultant or HR professional, so I will allow them to expand on this further, but for simplicity sake and for the benefit of our readers, I will again attempt to summarize the provisions for Paid Family & Medical Leave.

The OBBB makes the temporary employer tax credits permanent with a few changes. The tax credits began in January, 2018 and was set to expire at the end of 2025. Once the paid leave meets certain requirements, including a written policy, employers are entitled to a 12.5% tax credit on the amount of eligible wages, which increases by 0.25% for each percentage point by which the amount an employer paid a qualifying employee exceeds 50% of the employee's wages. The maximum credit that be claimed is 25%, based on the leave paid at 100% of normal wages.

To assist me, and to provide more information, I asked Marilyn Monahan to provide our readers with some basic information on these provisions of the OBBB Act.

"Under current law—since the passage of the Tax Cuts and Jobs Act—employers may be eligible for a tax credit if they provide paid family and medical leave," stated Marilyn. "This provision was set to expire at the end of the year. The OBBB extends the tax credit permanently. To take advantage of the credit, employers must follow IRS rules, including the adoption of a written policy."

- [Permanent Elimination of Bicycle Commuting Reimbursement and Moving Expense Deductions](#)

The OBBB Act permanently eliminates the exclusions for both the employee's gross income the \$20/month bicycle commuting employer reimbursement and the moving expense deduction and employer-reimbursed moving expense exclusions, but carves out an exception for intelligence community members similar to the active-duty military exception under the moving expense deductions. Both were scheduled to lapse at the end of 2025.

Of Interest to The General Public

- [No Taxes on Tips](#)

As briefly mentioned above in the Human Resources/Employment Law Section, The OBBB includes a new deduction for no tax on tips, effective for 2025-2028, which allows employees and self-employed individuals to deduct qualified tips received in occupations that are listed by the IRS as "customary and regularly receiving" tips on or before December 31, 2024 and that are reported on a Form W-2, Form 1099 or other specified statement furnished to the individual or reporting directly by the individual on Form 4137.

According to [IRS News Essentials](#) Issue Number FS-2025-03, qualified tips are voluntary cash or charged tips received from customers or through tip sharing. The maximum annual deduction is \$25,000; for self-employed, the deduction may not exceed the individual's net income, without regard to this deduction, from the trade or business in which the tips were earned. The deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

So who is eligible for this? Taxpayer eligibility rules state that the deduction is available for both itemizing and non-itemizing taxpayers. Self-employed individuals in a Specified Service Trade or Business (SSTB) under section 199A are not eligible. Employees whose employer is an SSTB also are not eligible.

Taxpayers must include their social security number on the return and file jointly, to claim the deduction.

Reporting rules, according to FS-2025-03, requires employers and other payors to file information returns with the IRS (or SSA) and furnish statements to taxpayers showing certain cash tips received and the occupation of the tip recipient.

Guidance is expected by October 2, 2025, when the IRS must publish a list of occupations that "customarily and regularly" received tips on or before December 31, 2024.

Transition relief is provided by the IRS for tax year 2025 for taxpayers claiming the deduction and for employers and payors subject to the new reporting requirements.

- [No Tax on Overtime](#)

As discussed above in the Human Resources/Employment Law Section, the OBBB Act includes provisions for No Tax on Overtime.

The No Tax on Overtime Deductions eligibility are available to Taxpayers who both file both itemizing and non-itemizing taxpayer returns. Similar to No Tax on Tips, taxpayers must include their Social Security Number on the return and file jointly if married, to claim the deduction.

Reporting is also similar to the No Tax on Tips rules: Employers and other payors are required to file information returns with the IRS (or SSA) and furnish statements to taxpayers showing the total amount of qualified overtime compensation paid during the year, and again, Guidance is expected for 2025 by the IRS, and they will provide transition relief for tax year 2025 for taxpayers claiming the deduction and for employers and other payors subject to the new reporting requirements.

- [Creation of Trump Accounts](#)

Beginning in 2026, there will be a new type of government-facilitated accounts similar to IRAs, called "Trump Accounts," that can be set up for children under age 18. Annual contributions are limited to \$5,000, indexed for inflation, and earnings will be able to grow tax-free. Qualified withdrawals will mirror traditional IRA rules. Accounts can be established for citizens of the USA

born after December 31, 2024, but before January 1, 2029, and for these accounts, the accounts will be credited with an initial government contribution of \$1,000. The Trump Accounts allow for employer contributions, tax exemptions for certain contributions, and penalties for improper claims.

- **No Tax on Car Loan Interest**

This is a new deduction, effective for 2025 through 2028. Individuals may deduct interest paid on a loan used to purchase a qualified vehicle, provided the vehicle is purchased for personal use and meets other eligibility criteria. (Lease payments do not qualify.) Under this new deduction, the maximum annual deduction is \$10,000, and the deduction phases out for taxpayers with modified adjusted gross income over \$100,000 (\$200,000 for joint filers).

The interest must be paid on a loan that originated after December 31, 2024, used to purchase a vehicle, the original use of which starts with the taxpayer (used vehicles do not qualify), for a personal use vehicle (not for business or commercial use) and secured by a lien on the vehicle.

If a qualifying vehicle loan is later refinanced, interest paid on the refinanced amount is generally eligible for the deduction.

A qualified vehicle is a car, minivan, van, SUV, pick-up truck or motorcycle, with a gross vehicle weight rating of less than 14,000 pounds, and that has undergone final assembly in the United States.

The Deduction is available for both itemizing and non-itemizing taxpayers. The taxpayer must include the Vehicle Identification Number (VIN) of the qualified vehicle on the tax return for any year in which the deduction is claimed.

There are Reporting requirements. Lenders or other recipients of qualified interest must file information returns with the IRS and furnish statements to taxpayers showing the total amount of interest received during the taxable year.

The IRS will provide transition relief for tax year 2025 for interest recipients subject to the new reporting requirements in forthcoming Guidance.

- **AI Provisions of the OBBB**

There is one provision that many were shall we say shocked, or at least surprised, that didn't make it into the final OBBB Act were the AI provisions that were stripped from the House Version of the bill... these included a proposed 10-year federal ban on state and local artificial intelligence ("AI") regulation. But, the OBBB Act did enact new requirements with major implications for AI and technology companies, including stringent restrictions of foreign influence in the AI supply chain, so to speak. It also included significant investments in US Based AI infrastructure. And, it preserves state authority over AI regulation.

Key provisions in the OBBB include stringent restrictions on foreign influence in the AI supply chain, broad extraterritorial rules targeting "prohibited foreign entities," enhanced domestic sourcing mandates, and rigorous supply chain integrity requirements. These measures present significant compliance and operational challenges, especially for multinational firms with global operations or foreign partners. Some of the most important aspects of the new law for companies in the AI sector, with a focus on the practical impact of foreign control restrictions, technology licensing limitations, and related compliance obligations.

The OBBB includes significant federal funding, grants, and tax incentives for companies investing in U.S.-based AI infrastructure, including data centers, semiconductor manufacturing, and AI research, with support from federal agencies. However, access to these funds is tightly conditioned on compliance with strict domestic content rules and prohibitions on involvement by "prohibited foreign entities" (as further discussed below). The new foreign entity of concern ("FEOC")-related restrictions may cause companies that would otherwise be eligible for such tax credits to lose their eligibility due to ownership and supply chain issues. Therefore, robust beneficial ownership and supply chain due diligence and sourcing practices will be required to assess a connection, or a central point, in various contexts, to "prohibited foreign entities," notably *from China*, as noncompliance can result in loss of eligibility for federal support and enforcement actions. *The result is a expanded funding opportunities, but only for those able to navigate and document compliance with rigorous sourcing and foreign influence restrictions.*

With the federal moratorium removed, the U.S. will continue to operate under a patchwork of state-level AI regulations. This creates a complex compliance landscape for businesses operating across multiple states. Examples of existing and pending state

laws include, but is not limited to, **California AI bills (2024)**: Govern AI transparency, data privacy, and election integrity; **Colorado AI Act (2024)**: A risk-based approach regulating "high-risk" AI systems that make "consequential decisions;" **Utah AI Policy Act (2024)**: Focuses on transparency by requiring disclosures when consumers interact with generative AI; and the **Tennessee ELVIS Act (2024)**: Protects musical artists from unauthorized AI-generated voice replicas.

- [Deduction for Seniors](#)

This is a new deduction, effective for 2025 through 2028. Individuals who are age 65 and older may claim an additional deduction of \$6,000. This new deduction is in addition to the current additional standard deduction for seniors under existing law. The \$6,000 senior deduction is per eligible individual (i.e., \$12,000 total for a married couple where both spouses qualify). The deduction phases out for taxpayers with modified adjusted gross income over \$75,000 (\$150,000 for joint filers). To qualify for the additional deduction, a taxpayer must attain age 65 on or before the last day of the taxable year.

The deduction is available for both itemizing and non-itemizing taxpayers. To qualify, taxpayers must include the Social Security Number of the qualifying individual(s) on the return, and file jointly if married, to claim the deduction.

- [Medicare Benefits To Be Cut](#)

The OBBB prohibits the implementation of two finalized rules until October 1, 2034. The rules would have made it easier for very low income Medicare enrollees to access to Medicare Savings Programs (MSPs), which often help cover premiums and cost-sharing for their Medicare Benefits. According to the CBO, unless there is further Congressional action, the OBBB will trigger \$490 billion in cuts to Medicare from 2027 to 2034 due to the statutory Pay-As-You-Go Act of 2010.

Summary of Requirements for Employer Group Health Plan Sponsors

As mentioned above by both myself and Marilyn Monahan, many of the provisions discussed in this article will require plan amendments, as well as employer communications to plan participants regarding any applicable changes. These include, but are not limited to:

- Section 125-Cafeteria Plan Amendments for Increases to Dependent Care Flexible Spending Accounts and/or Increased Child Care Tax Credit
- Telehealth provisions for HDHPs
- Bronze Plan HSA-Compatible Plan Allowance provisions
- HSA Reimbursement for Direct Primary Care
- Employer-Provided Educational Assistance Program provisions
- Plan amendments or new plan documents for Trump Accounts
- Employment Law Provisions such as amendments to policy for Family & Medical Leave Act
- No Tax on Tips or Overtime Provisions
- Exchange Notices – Possible Changes – Limited Eligibility for Premium Tax Credits

Conclusion & Guidance Forthcoming

Now that the holidays have passed and we've enjoyed our barbeques and fun times with friends and family, it's time to start digging in and preparing for the upcoming 4th quarter, which for many of us includes at least a basic understanding of the OBBB Act, as many employers will be asking us about it. I know that for me, many of my clients started asking about it immediately after the 4th of July holiday, since it was in the news everywhere, and they weren't satisfied with only the media soundbites. If your clients are anything like mine, I suggest you brush up on the provisions of the OBBB Act, at least as they pertain to client upcoming renewals.

The information I'm providing in this article is designed to help you to prepare for the provisions of the One Big Beautiful Bill Act. As stated throughout this article, guidance is expected to assist employer plan sponsors, human resources professionals and benefit brokers and consultants wanting to assist their group health plan clients.

Note that this article is provided as a summary only of components of the OBBB Act that I thought our readers would like to know about. There are many more provisions of the OBBB Act that are not addressed in this article. To hear more information about the OBBB, I invite you to watch on Spotify or listen to my podcast on all major audio podcast platforms, on the Benefits Executive Roundtable, Season 7, Episode 1, where Marilyn Monahan and I discuss some of the provisions in the OBBB, released in September, 2025.

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Disclaimer: The information provided in this article does not constitute legal advice and should not be construed as such. This is a summary only of a complex bill signed into law. Future Guidance is expected and should answer many questions. Readers should consult their legal counsel for guidance on the application and implementation of the many provisions of the OBBB Act that impact employee benefit plans and the workplace, including the topics discussed within this article.

Author's Note: I'd like to thank Marilyn Monahan of Monahan Law Office for her assistance with and comments for this article. Marilyn can be reached at marilyn@monahanlawoffice.com, and I can be reached at dmcociu@advancedbenefitconsulting.com.

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