What Employers Need to Know About the One Big Beautiful Bill

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On July 4, 2025, the One Big Beautiful Bill (the "Bill") was signed into law. As outlined below, there are several provisions of the Bill that are relevant to employers.

"Elimination" of Taxes on Tips and Overtime Compensation

The Bill includes two provisions regarding the "elimination" of taxes imposed on individual employees through 2028, as Section 70201 provides for "No tax on tips" and Section 70202 provides for "No tax on overtime."

Section 70201 and 70202 allow individuals to deduct qualified tips (up to $25,000) and qualified overtime compensation (up to $12,000 for individual returns and $25,000 for joint returns) from their adjusted gross income when filing tax returns. The deductions for qualified tips and qualified overtime compensation each reduce if the taxpayer's adjusted gross income exceeds $150,000. Specifically, there is a $100 reduction in the deductions for every $1,000 over $150,000 earned by the taxpayer.

Since the "elimination" is actually a deduction claimed by the individual employees, employers do not need to modify payroll withholdings or deductions to comply with the Bill.

Trump Accounts

The Bill creates "Trump Accounts" which are tax-advantaged investment accounts prefunded with $1,000 that are available for each child born after January 1, 2025. Children born before January 1, 2025 are eligible to have a "Trump Account," but the accounts will not be prefunded. The Bill allows employers to make $2,500 in contributions to the Trump Accounts of employees' dependents each year. The funds in Trump Accounts can

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be used for broader purposes than 529 accounts, as the funds can be used to pay for education, start a business, and buy a first home.

Increased Child Care and Paid Family and Medical Leave Credits

The Act also increases the credit employers may take for qualified childcare from $150,000 to $500,000 (or $600,000 for eligible small businesses).

Employers will now also be eligible to receive a credit for paid family medical leave benefits paid to employees who have been employed for six months (as opposed to requiring that the employee be employed for at least 12 months, as was previously required).

Please contact any member of Mirick's Labor, Employment, and Employee Benefits Group for more information on how the Bill may impact your company.

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