



## Rewards Policy Insider 2026-09



### In this Issue:

1. [IRS Issues Final Rules on New “No Tax on Tips” Provision](#)
2. [Appeals Court Rules Tennessee PBM Law is Preempted by ERISA](#)
3. [PBGC Announces it will No Longer Accept Paper Check Payments](#)

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# Upcoming Compliance Reminders for Calendar Year Employee Benefit Plans

**June 2026**

*1<sup>st</sup>: Prescription Drug Data Collection Reporting Deadline*

*1<sup>st</sup>: Request to Use Substitute Mortality Tables in 2027*

*Note: This is meant to be a reminder of certain upcoming compliance deadlines for employee benefit plans operating on a calendar year basis. It is not an exhaustive list of compliance obligations. Specific plans may be subject to different obligations and deadlines depending upon a variety of factors, including the plan type, plan year, and whether or not the plan is subject to ERISA, among other things.*

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## IRS Issues Final Rules on New “No Tax on Tips” Provision

The Internal Revenue Service (“IRS”) has issued final regulations identifying more than 70 occupations which are eligible to claim a deduction for tips under the One Big Beautiful Bill Act’s “no tax on tips” provision.

### Background

Section 70201 of the One Big Beautiful Bill Act (“OBBBA”), which President Trump signed into law on July 4th, permits eligible employees to deduct “qualified tips” from their taxable income. For this purpose, “qualified tips” means cash or charged tips received by an employee in an occupation which “customarily and regularly” received tips on or before December 31, 2024. This provision, which allows eligible employees to deduct tips from their income on their tax return, is commonly referred to as the “no tax on tips” rule. The provision, which is effective from 2025 through 2028, caps the deduction at \$25,000 per year.

### Final Regulations

After issuing a “preliminary list” of occupations that customarily and regularly received tips as of December 31, 2024, the IRS released proposed regulations on September 22, 2025, which included a nearly identical list. Like the proposed regulations, the final regulations group the occupations into 8 categories:

- 100s – Beverage and Food Service
- 200s – Entertainment and Events
- 300s – Hospitality and Guest Services
- 400s – Home Services
- 500s – Personal Services

- 600s – Personal Appearance and Wellness
- 700s – Recreation and Instruction
- 800s – Transportation and Delivery

However, the final regulations added a few new occupations to the list. Specifically, they added visual artists and floral designers in the personal services category, as well as gas pump attendants in the transportation and delivery category.

Also of note, the final regulations clarify that automatic service charges do not count as “qualified tips.” For example, if a restaurant imposes an automatic 18% service charge for large parties and distributes that amount to waiters, bussers and kitchen staff, the service charge is not a “qualified tip” for recipients unless customers have the option to disregard or modify it.

Employers that have implemented mandatory service charges might want to consider giving customers the ability to modify them, or opt-out, so that their employees can take advantage of this deduction.

### Effective Date

The final regulations are effective on June 12, 2026, but apply to taxable years beginning after December 31, 2024.

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## Appeals Court Rules Tennessee PBM Law is Preempted by ERISA

The Sixth Circuit Court of Appeals has become the latest appeals court to rule on state laws that regulate pharmacy benefit managers (“PBMs”), determining that ERISA preempts a Tennessee PBM law.

### Case Background

ERISA provides it supersedes state laws to the extent they “relate to” employee benefit plans – i.e., the ERISA preemption clause. Last year, a district court ruled that portions of a Tennessee law regulating PBMs is preempted by ERISA to the extent it applies to self-insured ERISA plans. The lawsuit was brought by a company that sponsors a self-funded ERISA plan and contracts with a PBM. The company sought an injunction prohibiting enforcement of the law.

The district court struck down the law’s provisions that (1) prohibit incentives for participants to favor particular pharmacies within a pharmacy network and prohibit interfering with a participant’s choice of pharmacies within a network and (2) require PBMs to allow any willing pharmacy to participate in their networks. Following the ruling, the State of Tennessee appealed the ruling.

### Sixth Circuit Decision

In April, the Sixth Circuit affirmed the lower court’s decision in [McKee Foods Corp. v. BFP Inc.](#) that ERISA preempts the Tennessee law. The court found that the

law impermissibly interfered with ERISA plan design and administration, and therefore could not stand under ERISA's preemption clause.

The Sixth Circuit looked to the Supreme Court's 2020 decision in *Rutledge v. PCMA*, which rejected an ERISA preemption challenge to an Arkansas law that requires PBMs to reimburse pharmacies at least as much as they paid for a drug. The Sixth Circuit explained that, unlike the law considered in *Rutledge*, the Tennessee law goes beyond regulating costs – which is permitted – and instead mandates particular plan structures. It also governs a central matter of ERISA plan administration, namely the scope and extent of a plan's pharmacy network. All of this is prohibited under ERISA's preemption provision.

## Implications

Note that the Sixth Circuit's ruling in *McKee* only has precedential value within the Sixth Circuit and does not require courts in other Circuits to follow the decision.

That said, many other courts – at both the district and appeals levels – have considered state laws attempting to regulate PBMs and have come to a variety of decisions on the question of ERISA preemption. As one example, the *McKee* case is similar to the Tenth Circuit's decision in *PCMA v. Mulready*, which found that ERISA preempted similar provisions in an Oklahoma law. Last year, the Supreme Court denied the State of Oklahoma's appeal of the Tenth Circuit's ruling. Until the Supreme Court addresses the issues created by more and more states passing similar laws, there will be uncertainty about the extent of states' ability to regulate PBMs in the context of ERISA plans.

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## **PBGC Announces It Will No Longer Accept Paper Check Payments**

In an announcement in early April, the Pension Benefit Guaranty Corporation ("PBGC") said that it will not accept paper checks as a form of payment after June 30, 2026. This is part of a larger directive from the White House for federal agencies to transition to electronic methods of payment.

### **Background**

Shortly after taking office for the second time, President Trump signed an Executive Order ("EO") called "Modernizing Payments To and From America's Bank Account." The EO requires that, with limited exceptions, all payments made to and from the federal government be processed electronically. The EO orders the Treasury Department to cease issuing paper checks for all federal disbursements and support the transition of all federal agencies to digital payment methods. The EO explains that the use of paper-based payments by the federal government imposes unnecessary costs, delays, and risks of fraud and lost payments.

### **PBGC – and Other Agencies – Move to Electronic Payment**

In accordance with the EO, the PBGC [announced](#) in April that it "is no longer accepting paper checks as a form of payment. PBGC will not process paper checks after June 30, 2026."

Plan sponsors who make premium payments to the PBGC should be aware that, according to the agency, any paper checks received after that date will be returned to sender or destroyed. The PBGC's announcement also warns that plans may be subject to late interest and penalties if a timely electronic payment is not received by the filing due date.

The PBGC's [accepted forms](#) of premium payments now include:

- My PAA;
- Pay.gov; or
- An Electronic Funds Transfer (EFT via ACH or Fedwire).

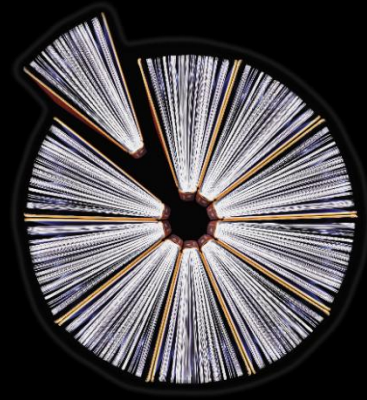
A number of other federal agencies are also making changes in response to President Trump's EO. The Internal Revenue Service, as just one example, [announced](#) that taxpayers should use its existing electronic payment options, and, during the transition process to fully electronic payments, tax refunds sent by mail may take six weeks or longer.

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