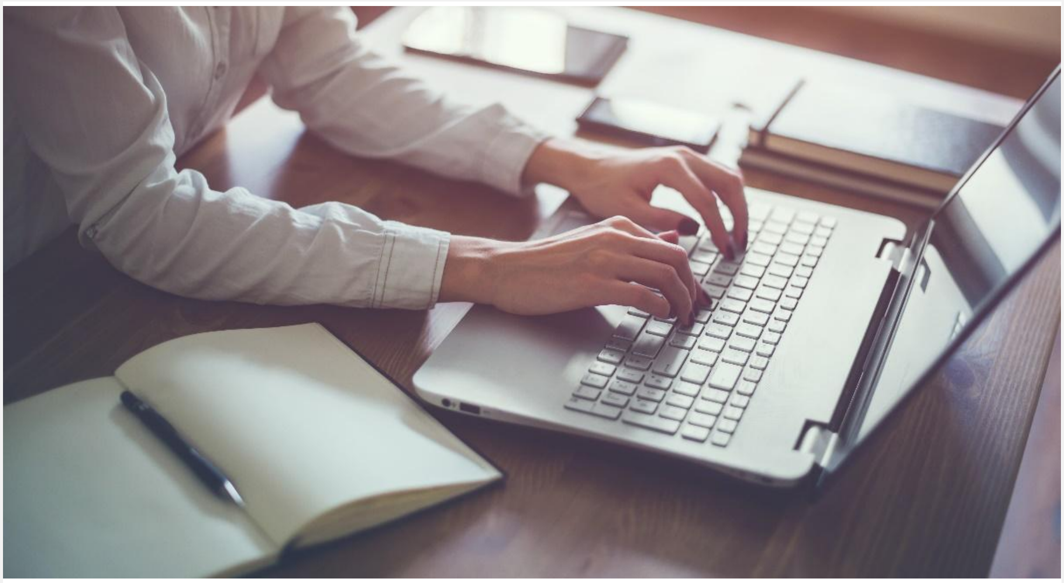
Deloitte.

United States | Human Capital | 24 July 2026

Rewards Policy Insider
2026-15



In this Issue:

Upcoming Compliance Reminders for Calendar Year Employee Benefit Plans

July 2026

27th: Summary of Material Modification (SMM) (or updated Summary Plan Description (SPD)) for 2025 amendments

31st: Form 5500 Due (without extension)

31st: PCORI Fee Due

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.

Agencies Issue Final IDR Regulations Under No Surprises Act as Concerns About Utilization Grow

The Department of Health and Human Services (HHS), along with the Departments of Labor and Treasury (Agencies), have published final regulations intended to improve the efficiency of the No Surprises Act's (NSA) independent dispute resolution (IDR) process. The timing of the new rules coincides with growing concerns about utilization of the IDR process, and the potential impact on health costs and health insurance premiums.

Background

The primary goal of the NSA was to prevent "balance billing" in certain circumstances when individuals use out-of-network providers and facilities, such as emergency rooms (ERs) and air ambulance services. For example, if someone is seen in an ER that is in their health plan's network, but is treated by a provider who is not in network, the NSA may prohibit the provider from billing the individual for the difference between what they charge and what their health plan pays out-of-network.

The law does not require the provider to simply accept whatever the health plan offers to pay. Rather, there is an opportunity for the parties to negotiate and, if both parties do not agree on a final amount, the IDR process is available to help resolve the dispute.

As the Congressional Budget Office (CBO) observed in a recent blog post, there had been hope that the NSA would reduce health insurance premiums by encouraging providers to join insurance networks. However, there is growing evidence that the IDR process is being used far more than expected, and that payment awards are "often much higher than anticipated." If these trends continue, the law could increase health care prices and premiums rather than reducing costs.

Final IDR Regulations

The Departments issued final IDR regulations on June 4, 2026, acknowledging the unexpectedly high volume of IDR claims. The Departments appear to be more focused on making the process more efficient in timely processing claims than on reducing IDR utilization. The latter may require legislative action.

To help with efficiency, the final rules establish a 5-day timeline for certified IDR entities to determine if a dispute is eligible for IDR, as well as accelerated timelines for requesting additional information needed to make an eligibility determination. The final rules also create a new process for tracking open negotiations between payers and providers, among other things.

The final rules are generally effective beginning August 3, 2026, with different provisions subject to different effective dates.

IRS Previews Forthcoming Regulations on Excise Tax Applicable to Tax-Exempt Organizations

The Internal Revenue Service ("IRS") announced its intent to issue a proposed rule to update existing regulations under Internal Revenue Code ("Code") section 4960, which imposes an excise tax on compensation paid by applicable tax-exempt organizations to certain employees in excess of $1 million per year. The revisions to the existing regulations are expected to address the amendments to section 4960 enacted by the One Big Beautiful Bill Act ("OBBBA").

Background

In 2017, Congress enacted Code section 4960, which provides for a 21% excise tax on compensation in excess of $1 million per year paid by applicable tax-exempt organizations ("ATEOs") to high-earning "covered employees". At the time of its enactment, section 4960 defined a "covered employee" for this purpose as one of the five highest-compensated employees in the organization for that year. In addition, if an employee was a covered employee in any year after 2016, then the individual continued to be a covered employee for all future years, even in retirement.

The IRS subsequently issued regulations addressing section 4960. Notably, the regulations created three exceptions under which an individual is disregarded for purposes of determining who is one of the five-highest compensated employees. Those exceptions are: (1) the "limited hours" exception, under which the individual and the ATEO are in a volunteer-type arrangement (i.e., the individual does not receive compensation and works limited hours); (2) the "nonexempt funds" exception,; and (3) the "limited services" exception, under which the employee is paid minimal compensation by the ATEO.

In 2025, OBBBA amended Code section 4960 to expand the definition of a covered employee. Under those amendments, the excise tax now applies with respect to *any* employee of the ATEO – not just the five highest-compensated employees – or former employee of the ATEO who was a covered employee during any taxable year beginning in 2017.

IRS Announces Intent to Update Excise Tax Regulations

Following the OBBBA amendments, there has been uncertainty regarding the three regulatory exceptions described above because those exceptions apply in the context of determining an ATEO's five highest-compensated employees.

In June, the IRS and Treasury issued Notice 2026-36, announcing their intent to propose revisions to the existing section 4960 regulations to remove the references to an ATEO's five highest-compensated employees.

In addition to announcing their intent to revise the regulations, the Notice also provides a preview into what will be included in the proposed regulations, including:

- Preservation of Regulatory Exceptions. The Notice states that the proposed regulations will provide exceptions for "limited hours" and "nonexempt funds" similar to those provided in the existing regulations. (Note, however, that the proposal will not provide a "limited services" exception because it is viewed as no longer.) Without these exceptions, a for-profit company with a private tax-exempt foundation could incur a significant tax liability, so this is welcome news to ATEOs.
    - Favorable Interpretation of Effective Date of OBBBA Amendments. OBBBA's amendments to section 4960 apply to taxable years beginning after December 31, 2025. In connection with this effective date, the Notice states that the IRS interprets the expanded definition of a covered employee as including *only*: (1) any individual who was an employee of an ATEO in any taxable year beginning in 2017, and on or before December 31, 2025, if the individual was a covered employee under prior law; and (2) any individual who is an employee of an ATEO in any taxable year beginning after December 31, 2025. The effect of the IRS's interpretation is to narrow the dates to which the application of OBBBA's broadened definition of a covered employee applies.
    - Reliance on Notice. The Notice provides that, until proposed regulations are issued, ATEOs may rely on the rules described in the Notice that are anticipated to be included in the upcoming proposal.

The IRS is requesting comments on the Notice by August 4, 2026.

State-Run Retirement Programs Continue to Grow

States continue to enact, develop, and launch mandatory retirement programs for certain private-sector employers that do not already offer a retirement plan to their employees. In recent months, three states – New York, Rhode Island, and Minnesota – have launched mandatory programs.

Background

Since 2015, a growing number of states have taken steps to address concerns about Americans' ability to save for retirement by enacting laws establishing mandatory state-run retirement programs. These programs generally require private-sector employers that do not already offer a retirement plan to their employees to automatically enroll employees in the state program (unless the employee opts out). Typically, the state program facilitates employees saving in the program through a payroll deduction IRA. Employers that already offer a retirement plan are generally exempt from participating in such programs.

To date, 17 states have enacted laws to establish these so-called "mandatory auto-IRA programs." Fifteen states (California, Colorado, Connecticut, Delaware, Illinois, Maine, Maryland, Minnesota, New Jersey, New York, Nevada, Oregon, Rhode Island, Vermont, and Virginia) have already launched their programs, and two others (Hawaii and Washington) are still in the process of developing their programs. In addition, one city – Philadelphia – recently enacted a law to establish a city-run program.

Recent State and City Program Updates

Below, we highlight recent developments that employers should be aware of. Even for employers that are exempt by reason of already offering a retirement plan, if they operate in states with mandatory auto-IRA programs it is important to be aware of these programs because many require exempt employers to certify their exempt status—typically through an online portal.

- <u>Three New State Programs Launch in Recent Months</u>. In the time since our most recent article covering state-run retirement program updates (Rewards Policy Insider 2025-18), three new mandatory auto-IRA programs have launched:
    - *New York.* The New York Secure Choice program opened for employer registration in October 2025. Generally, employers are subject to the mandate if they have been in business for at least two years, have employed at least 10 employees in New York during the prior year, and have not offered a retirement plan in the past two years. The registration deadlines for employers subject to the program are available here.
    - *Rhode Island.* The RISavers program also opened for employer registration in October 2025. The program mandate generally applies to employers engaged in a business in the state that have five or more employees and do not provide a retirement savings plan. The registration deadline for all employers was December 12, 2025; penalties apply for employers that fail to register, but Rhode Island has yet to start enforcement efforts.

- *Minnesota.* Minnesota Secure Choice officially launched in January 2026. Generally, the program mandate applies to employers that employ five or more people receiving taxable Minnesota wages and have not maintained a retirement savings plan within the preceding year. The registration deadlines for employers subject to the program are available here.

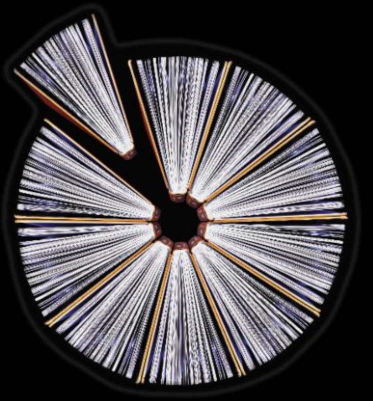
- Philadelphia Enacts City-Run Program. In May 2026, Philadelphia voters approved the establishment of a city-run mandatory auto-IRA program, following prior approval of legislation by the city council and mayor. In general, employers that are engaged in a business in Philadelphia will be required to facilitate the program on behalf of their employees if they employ at least one employee, have been in business for at least two years, and do not already maintain a retirement plan. Under the new law, the program is required to launch by July 1, 2027.

Visit the Archive

All previous issues of the Rewards Policy Insider are archived on Deloitte.com and can be accessed here.

Don't forget to bookmark the page for quick and easy reference!

Upcoming editions will continue to be sent via email and will be added to the site on a regular basis.



Get in touch

Subscribe/Unsubscribe

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.