IRS and CMS updates that should be on your radar

Stay informed on the latest payroll compliance updates for healthcare employers, including IRS guidance and CMS system changes for summer 2026.

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August has been a busy month for healthcare employers and workforce teams. Between new IRS guidance and an important CMS system transition, organizations have several compliance updates to understand, track, and prepare for.

While each update affects a different area of workforce administration, they all point to the same reality: healthcare organizations need clear processes, accurate reporting, and reliable systems to stay ahead of changing requirements.

The IRS released four areas of guidance that impact the healthcare workforce, and CMS changed Payroll-Based Journal procedures for skilled nursing facilities.

Here are the details and what employers should keep in mind.

IRS guidance and CMS changes employers should watch

The latest IRS updates touch several benefit and payroll-related areas, including Trump Accounts, dependent care assistance programs, overtime deduction reporting, and paid family and medical leave credits.

For healthcare employers managing complex workforces, these changes may require coordination across payroll, HR, benefits administration, tax, and compliance teams.

1. Trump Accounts

As we already know, employers can voluntarily contribute up to $2,500 (indexed for inflation) to employees' children's Trump Accounts tax free each year. Employer contributions are reported at year-end on Form W-2 using Code TA.

What's new in the proposed regulations issued August 11:

- An employer's Trump Account Contribution Program (TACP) must be in writing and must meet nondiscrimination tests, similar to other tax-deferred retirement plans.
- Companies cannot contribute on behalf of owners or >2% shareholders.
- "Tax free" means not taxable for federal income tax and withholding but still subject to FICA (social security/Medicare) and FUTA (federal unemployment tax).
- The $2,500 limit is per employee, not per child, and includes employer and employee contributions. Employees can designate how they want the $2,500 allocated among their children.
- Employee contributions must also be reported at year-end. Employers can use code TA on Form W-2 in Box 12 for employee contributions as well as their own.

For employers, the key takeaway is that Trump Account programs may be voluntary, but they still require thoughtful administration. Written plan documentation, nondiscrimination testing, employee-level limits, and year-end reporting all create operational details that should be addressed before a program is launched to employees.

In separate proposed guidance issued on August 21, the IRS outlined requirements for investments of Trump Account funds: generally, a mutual fund or exchange traded fund tracking mostly American companies with no annual fees and expenses of no more than 0.1% of the balance.

2. Dependent Care Assistance Programs

On August 11, the IRS issued the first-ever rules for nondiscrimination testing of DCAP plans.

This is an important development for employers that offer dependent care benefits because it gives organizations more clarity on how plans should be structured. Employers that sponsor DCAP plans

may want to review current plan design, testing procedures, and year-end correction processes in light of the proposed rules.

3. No Tax on Overtime

On August 6, the IRS updated its Frequently Asked Questions to clarify the limits and timing of the qualified overtime compensation deduction and provide detailed information on Form W-2 reporting.

4. Paid family and medical leave

On August 5, the IRS released guidance which expands eligibility and coverage for employers offering PFML benefits.

Employers can claim the credit for employees with six months of service and for part-time employees working 20 hours or more per week. In addition, the credit now includes payments for insurance premiums to provide leave, not just wages paid during leave. Third, employers can now count state and local mandated leave toward the eligibility for the credit, but not toward the credit calculation.

Together, the overtime and PFML updates reinforce the importance of accurate payroll data and careful employee classification. Healthcare organizations with variable schedules, part-time employees, and mandated leave requirements may need to review how these updates intersect with existing payroll practices and benefit policies.

5. CMS PBJ changes

Starting August 17, facilities submitting Payroll-Based Journal (PBJ) staffing data to CMS must use the iQIES system. This replaces the legacy QIES platform as part of CMS's ongoing work to modernize systems and improve security. Reporting requirements and quarterly deadlines will not change.

Even though the reporting requirements and deadlines are staying the same, the system transition may affect day-to-day workflows. Skilled nursing facilities should make sure the right users have iQIES access, understand their PBJ roles, and know where submissions and reports will live going forward.

What healthcare employers can do now

As guidance continues to evolve, employers can use this moment to review the internal processes that support compliance and reporting accuracy.

- Review written plan documents and payroll reporting procedures for any new or expanded benefits.
- Confirm how Form W-2 reporting will be handled for relevant contributions, deductions, and benefits.
- Coordinate across HR, payroll, finance, benefits, and compliance teams so everyone understands what is changing.

- For SNFs, verify iQIES access, user roles, and vendor readiness before PBJ submission deadlines approach.
- Monitor final guidance, comment periods, and implementation timelines so your organization can adjust as needed.

Staying prepared in a changing compliance environment

Compliance updates can arrive quickly, and even small changes can create ripple effects across healthcare workforce operations. By reviewing guidance early, confirming internal ownership, and making sure systems are ready, employers can reduce last-minute confusion and stay focused on supporting their teams and the people they serve.

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