



OBBBA 2026 Compliance: What Texas Construction Contractors Should Do Now

The One Big Beautiful Bill Act (“OBBBA”) became law on July 4, 2025, and employers must comply with the law requirement in 2026. Contractors should treat 2026 as the first year in which regulators expect fully compliant systems, rather than “good faith” efforts.

Segregation of Overtime and Tips.

Beginning with the 2026 tax year, employers must separately report FLSA-required overtime pay and qualified tips on Form W-2. The penalty relief which was granted in 2025 for good faith efforts should not be counted on in 2026. In construction—where overtime is routine—this means ensuring overtime is tracked as a distinct pay category rather than bundled with other premium or differential pay. Contractors should confirm that their payroll and timekeeping software can segregate this data for W-2 production in early 2027.

To meet these reporting requirements, contractors should update payroll, timekeeping, and HR systems to capture: (1) FLSA overtime as a distinct element of compensation, and (2) qualified tips (if any).

Heightened Immigration Scrutiny.

OBBBA also introduces new and increased immigration-related fees and a gigantic budget increase for DHS/ICE immigration enforcement at worksites. Employers should expect continued scrutiny of their Form I-9s, reverifications, and document retention. Building a written playbook, training hiring managers, and scheduling periodic self-audits can help demonstrate good-faith compliance should DHS/ICE come calling.

For Texas construction contractors, a practical 2026 action plan is to align HR, payroll, and project operations on these federal requirements:

- finalize system upgrades for W-2 reporting of overtime and any qualified tips;
- conduct a timekeeping and pay-code audit; and
- implement I-9 process checks and document retention controls.

Given that regulators will treat 2026 as the first full year without transition leeway, prioritizing these steps now will reduce downstream risk at year-end reporting and during any worksite compliance review.

For further information on these developments, please contact [Tony Stergio](#).