Government Liaison Report

January 2026

Overview

- Federal News:
  - IRS Releases 2026 Publication 15-T With OBBBA Updates
  - Standard Mileage Rate Increases to 72.5 Cents in 2026
  - IRS Releases 2026 Form W-4 With Changes Due to OBBBA
  - SSA Provides Information During Semi-Annual Meeting
  - Tables Issued for Figuring Amount Exempt From Levy in 2026
  - IRS Releases 2026 Publications 15 (Circular E), 15-A, and 15-B
  - IRS Releases Tax Calendars for 2026
  - IRS Issues Guidance on HSA Changes Under OBBBA
  - IRS Provides Overview of Trump Accounts
  - USCIS Reduces Maximum Validity Periods for Some EADs to 18 Months
  - US Department of Labor issues 6 opinion letters addressing employee classification, bonuses, overtime exemptions, family medical leave
- State News:
  - Arkansas, California, Delaware, Hawaii, Indiana, Iowa, Louisiana, Missouri, Montana, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, Vermont

Federal News

IRS Releases 2026 Publication 15-T With OBBBA Updates

The IRS released the 2026 Publication 15-T, Federal Income Tax Withholding Methods, which describes how to figure federal income tax withholding using the percentage method and the wage bracket method and describes alternative methods for figuring withholding. Publication 15-T was updated for changes made by H.R. 1, known as the One Big Beautiful Bill Act (OBBBA Pub. L. 119-21).

Income tax withholding tables.

The 2026 federal income tax withholding tables in Publication 15-T have been updated for changes made by OBBBA, including the permanent extension of individual tax rates and the increased standard deduction and the permanent termination of personal exemptions (which were all originally temporarily enacted by the Tax Cuts and Jobs Act).

Forms W-4.

The Form W-4, Employee's Withholding Certificate, has been updated for 2026 to account for the new federal income tax deductions for qualified tips and qualified overtime compensation under the OBBBA. The 2026 Form W-4 was also updated to add a new checkbox below Step 4(c) for an employee to claim exemption from federal income tax withholding. Previously, the employee wrote “Exempt” below Step 4(c). Form W-4P, Withholding Certificate for Periodic Pension or Annuity Payments, has also been updated for 2026 to include similar changes (see “IRS Releases 2026 Forms W-4P, W-4R” in this issue).

Withholding on qualified tips.

For tax years 2025-2028, the OBBBA allows employees and self-employed individuals to deduct up to $25,000 of qualified tips received in occupations that customarily and regularly received tips on or before December 31, 2024, on their income tax returns. Tips are still generally subject to both the employer share and employee share of social security tax and Medicare tax if the tips received are $20 or more per month.

Withholding on qualified overtime compensation.

For tax years 2025-2028, the OBBBA also allows individuals (employees and other workers not treated as employees) to deduct up to $12,500 ($25,000 if married filing jointly) of qualified overtime compensation on their income tax returns. Overtime compensation is still generally subject to both the employer share and employee share of social security tax and Medicare tax. Employers must use an employee’s updated Form W-4, if one is submitted by the employee, and the federal income tax withholding procedures in Publication 15-T to allow the employee to account for their expected deduction and receive more money in each paycheck instead of waiting until filing their income tax return to receive the full benefit of the deductions. More information about the OBBBA is available on PayrollOrg’s website in the Payroll Hot Topics section under the Compliance tab.

Reminders Tax withholding estimator.

Employees may use the IRS’s tax withholding estimator when completing Forms W-4 or W-4P. The estimator has been updated to account for the increased standard deduction and child tax credit amounts for tax year 2025. The IRS is updating the estimator to account for certain provisions of the OBBBA, such as the deduction for qualified tips and qualified overtime compensation. The updates should be completed by January 17. Nonresident aliens. Publication 15-T provides the amounts that employers should add to the wages paid to nonresident alien employees working in the United States when figuring their income tax withholding. Electronic submissions of Form W-4. Publication 15-T provides information for employers that establish a system to electronically receive Forms W-4 and W-4P.

Standard Mileage Rate Increases to 72.5 Cents in 2026

The IRS announced that the business standard mileage rate for transportation expenses paid or incurred beginning January 1, 2026, is 72.5 cents per mile, up 2.5 cents from 70 cents per mile for 2025 [Notice 2026-10, 12-29-25]. The rate applies to electric, hybrid-electric, gasoline, and diesel vehicles.

The mileage rate may be used to compute the amount to reimburse employees who use their own cars for business purposes. It may also be used by employers that elect to use the “cents-per-mile” valuation method for purposes of determining the amount that needs to be imputed to an employee’s income for personal use of certain company- owned or leased nonluxury vehicles (see The Payroll Source®, §3.2-2). However, it may not be used by employees in claiming a tax deduction for unreimbursed employee business expenses, since such deductions are permanently disallowed by Public Law 119-21, known as the One Big Beautiful Bill Act.

In addition, the 2026 standard rate for miles driven for medical or moving purposes decreases to 20.5 cents per mile (21 cents in 2025). The deduction for moving expenses only applies to members of the Armed Forces on active duty who move under a military order and due to a permanent change of station and certain members of the intelligence community who move after December 31, 2025. The standard mileage rate for operating a passenger car for charitable purposes remains 14 cents per mile.

FMV increases to $61,700

For vehicles put into service in 2026, the cents-per-mile valuation method and the fleet-average valuation rule can be used only if the vehicle does not have a fair market value (FMV) of more than $61,700 ($61,200 in 2025).

Use the correct rate

Because of the 2.5-cent increase in the business standard mileage rate, employers reimbursing employees at the 2025 rate need to be mindful of the rate change. Employers should make sure they change to the 2026 rate for all affected travel on or after January 1, 2026. Business miles driven in December 2025 that show up on an employee’s expense report in 2026 are governed by the rules applicable to the corresponding mileage rate for 2025.

IRS Releases 2026 Form W-4 With Changes Due to OBBBA

The IRS released the 2026 Form W-4, Employee's Withholding Certificate, with changes due to H.R. 1, known as the One Big Beautiful Bill Act (OBBBA Pub. L. 119-21), which was enacted in July. A draft version of the 2026 Form W-4 was released in August.

What's new

The 2026 Form W-4 was increased to five pages from four pages. Changes include:

Step 3: Claim Dependent and Other Credits. The lines in Step 3 are now labeled Lines (a) and (b) and require the same information as in the 2025 form. For 2026, the amount for the child tax credit is increased to $2,200 from $2,000 per qualifying child. Under the OBBBA, the amount will be adjusted annually by the cost of living rounded to the next multiple of $100. Step 4: Other Adjustments. Step 4 no longer includes "Optional." Step 4(b) informs employees that if the employee skips this line, withholding will be based on the standard deduction.

New checkbox. The 2026 Form W-4 includes a checkbox after Step 4 for employees to claim exempt from withholding. On the previous version, employees could claim exempt by writing "Exempt" in the space below Step 4(c). Employees may claim exemption from withholding for 2026 if both of these apply:

- The employee had no federal income tax liability in 2025, and
- The employee expects to have no federal income tax liability in 2026.

Deductions Worksheet. The 2026 Form W-4 Deductions Worksheet for Step 4(b) has been moved it its own page and now has 15 lines. Lines were added for employees to enter qualified tips and overtime compensation for the new tax deductions under the OBBBA.

Employees can use Line 1(a) to enter an estimate of their qualified tip income and Line 1(b) to enter an estimate of any qualified overtime compensation. In November, the IRS issued guidance to help eligible employees claim the tax deductions for qualified tips and for qualified overtime compensation for tax year 2025 (Notice 2025-69, 11-21-25).

SSA Provides Information During Semi-Annual Meeting

On December 9, the Social Security Administration (SSA) held its Fall 2025 Semi-Annual Meeting With the IRS and Wage Reporting Community. During the meeting, a representative from the SSA provided reminders for the filing season, wage reporting best practices, and information on the SSA's Business Services Online (BSO). The meeting presentation is available.

Required fields for tax year 2025

Starting this year, employers must complete certain required fields within BSO when preparing wage files. Employers must include all required information before submitting files. Submissions will be returned with errors, which could cause delays, if any of these fields are left blank:

- Employer name
- Employer address
- Contact name
- Contact email address
- Contact phone number.

Tax year reminders

Forms W-2. The SSA is now accepting 2025 Forms W-2, Wage and Tax Statements, which must be submitted by February 2, 2026, whether filed on paper or electronically. Employers should verify all employees' information before submitting Forms W-2 and ensure that forms are filed using the correct tax year.

Electronic filing. An SSA representative reminded attendees that the threshold requirement for filing information returns (e.g., Forms W-2, 1099 series, Affordable Care Act (ACA) forms) electronically with the IRS is 10, which is counted in the aggregate.

BSO. An SSA representative reminded attendees to allow time to register to use BSO. The representative also reminded attendees that the SSA's BSO cannot be used to submit forms in the 1099 series, which must be filed with the IRS through its Information Returns Intake System (IRIS) or Filing Information Returns Electronically (FIRE) system.

Wage reporting best practices

An SSA representative provided some wage reporting best practices, such as:

- Check for reporting updates. Employers should review SSA and IRS guidance for changes to wage reporting requirements.
- Ensure software is current. Employers that use payroll or reporting software should make sure the software is up to date and functioning properly.
- Test wage files. The SSA recommends employers use AccuWage Online to test wage files for compliance with EFW2/ EFW2C specifications. The SSA offers AccuWage Online as a free internet application that enables employers to check EFW2 (Form

W-2) and EFW2C (Form W-2c, Corrected Wage and Tax Statement) formatted wage files for correctness before submitting them to the SSA.

- Avoid common errors. Employers should verify totals, formatting, and required fields before submitting files and ensure that each employee's data, such as name, social security number, and date of birth, is accurate.
- Monitor status through BSO. Employers should track the status of submissions through BSO and promptly address any errors or rejections to avoid delays.
- Protect sensitive information. Employers can take steps to protect sensitive business and employee information, such as securing networks and devices, implementing strong passwords, developing policies and procedures to monitor and detect anomalies, restricting employee access to data, and educating employees about cybersecurity. The SSA recommends employers register for a BSO account even if they use a third-party filer to verify the accuracy of wage submissions.

BSO updates During the semi-annual meeting, an SSA representative provided information about the SSA's BSO, including new required fields and helpful tips for registration. The representative encouraged employers to electronically submit wage reports using BSO and provided benefits of using BSO. For example, BSO helps to ensure compliance with federal requirements offers a streamlined wage reporting process with reduced errors and processing times provides confirmation of submission success or errors in minutes or less and allows access to wage reporting status and submission history.

Registration tips. An SSA representative reminded attendees that the social security sign in option is no longer available. In March 2023, the SSA updated the registration process for BSO users, and users are now required to sign in using either a Login.gov or ID.me account. Information about the registration process can be found on the BSO homepage under the Information You'll Need to Provide tab. Employers that need technical help with BSO can call 888- 772-2970 (Monday-Friday, 7 a.m.-5:30 p.m. ET) or email bso. support@ssa.gov. Employers that need general wage reporting or registration assistance can call 800-772-6270 (Monday- Friday, 7 a.m.-5:30 p.m. ET) or email employerinfo@ssa.gov.

Pilot program for new authorization process

During the meeting, an SSA representative explained a new authorization process that will soon be available to employers selected to participate in a pilot program. The new BSO authorization process will allow employers to assign and delegate who can submit wage reports and do business on the employer's behalf, which will increase security and help prevent fraud.

To access the new authorization process (once available), employers must have a responsible entity officer (REO) assigned within its BSO account. An REO is an individual who is authorized to execute agreements on behalf of the entity that are legally binding. Examples of REO positions include the chief executive officer, a director or senior manager, an employee with power of attorney, and a business owner.

Under the new process, employers will receive one mailed registration code for the REO, which will simplify registration. Under the current process, each BSO user must request a separate code that is mailed to the employer

Tables Issued for Figuring Amount Exempt From Levy in 2026

IRS Publication 1494, Tables for Figuring Amount Exempt From Levy on Wages, Salary, and Other Income, provides tables showing the amount of an individual's wages that is exempt from a Notice of Levy used to collect delinquent federal income tax in 2026. The exempt amounts are based on the employee's standard deduction and the number of dependents claimed by the employee on Part 3 of the Notice of Levy

IRS Releases 2026 Publications 15 (Circular E), 15-A, and 15-B

The IRS released the 2026 Circular E, Employer's Tax Guide (Publication 15), the Employer's Supplemental Tax Guide (Publication 15-A), and the Employer's Tax Guide to Fringe Benefits (Publication 15-B), which have been updated for changes made by H.R. 1, known as the One Big Beautiful Bill Act (OBBBA Pub. L. 119-21).

What's new

Artificial intelligence. Executive order (EO) 14179, Removing Barriers to American Leadership in Artificial Intelligence (AI), and the Winning the Race: America's AI Action Plan were issued to promote AI literacy and development. Employer-provided AI literacy and skill development programs may be tax free as working condition fringe benefits if the program maintains or improves employees' job skills at their current job.

Bicycle commuting reimbursements. The OBBBA permanently eliminates the exclusion of qualified bicycle commuting reimbursements from employee's income.

Electronic payments only. EO 14247, Modernizing Payments to and From America's Bank Account, mandates the transition to electronic payments for all federal disbursements. The IRS will now issue employment tax refunds by direct deposit and will not send paper checks. Employers can still choose to have overpayments applied to their next return by checking the appropriate box on the employment tax return. EO 14247 also mandates the transition to electronic payments for all payments made to the federal government, which means employers must pay any balance due electronically.

Information reporting threshold increased for certain payments. For payments made after calendar year 2025, the OBBBA increases the information reporting (e.g., Forms 1099-MISC, Miscellaneous Income, and Forms 1099-NEC, Nonemployee Compensation) payment threshold from $600 to $2,000 in a calendar year for certain payments to persons engaged in a trade or business and payments for services. The threshold also increases to $2,000 for wage reporting (Forms W-2, Wage and Tax Statement) if no federal income, social security, or Medicare tax was withheld. This threshold will be adjusted for inflation for each calendar year after 2026.

Meals and eating facility deduction. Effective January 1, 2026, employers may no longer deduct the cost of meals provided to employees through an employer-operated eating facility or for meals provided for the convenience of the employer. The OBBBA carved out a limited exception to this rule. Meals provided on certain fishing boats and at some fish- processing facilities may be 100% deductible for the employer. This change does not affect the employee exclusion from income for employer provided meals.

Moving expense reimbursement. The OBBBA makes permanent the elimination of the exclusion from employees' income for qualified moving expense payments and reimbursements, which was temporary under the TCJA. Moving expense deductions are no longer allowed unless specifically authorized by Congress. The OBBBA extends the exclusion for moving expenses for members of the U.S. Armed Forces on active duty who move because of a permanent change of station to include members of the intelligence community who move pursuant to a change in assignment. The intelligence community allowance is in effect after December 31, 2025.

Permanent extension of individual tax rates. The OBBBA permanently extends the individual income tax rates enacted by the TCJA. Employers will continue to use Publication 15-T, Federal Income Tax Withholding Methods, to figure federal income tax withholding.

Tax return transcripts. Employers can access Forms 940, 941, 943, 944, and 945 return transcripts for tax years 2023 and later using an IRS business tax account.

Trump accounts. The OBBBA allows for the creation of an individual retirement account for children born between January 1, 2025, and December 31, 2028.

Withholding on qualified overtime compensation and qualified tips. For tax years 2025-2028, the OBBBA allows individuals to deduct up to $12,500 ($25,000 if married filing jointly) of qualified overtime compensation on their income tax returns. Overtime compensation is still generally subject to both the employer share and employee share of social security tax and Medicare tax. For tax years 2025-2028, the OBBBA also allows employees and self-employed individuals to deduct up to $25,000 of qualified tips received in occupations that customarily and regularly received tips on or before December 31, 2024, on their income tax returns. Tips are still generally subject to both the employer share and employee share of social security tax and Medicare tax if the tips received are $20 or more per month.

Withholding on supplemental wages and backup withholding. The withholding rate on supplemental wages remains 22% (37% if supplemental wages paid to an employee during the calendar year exceed $1 million) because the OBBBA permanently extended the individual tax rates enacted by the TCJA. The backup withholding rate remains 24%. For reportable payments made under IRC §6041(a) or §6041A(a) that are made in calendar year 2026 and subject to backup withholding, the OBBBA increases the aggregate reportable payment threshold from $600 to $2,000. This threshold will be adjusted for inflation for each calendar year after 2026.

More information about the OBBBA is available on PayrollOrg's website in the Payroll Hot Topics section under the Compliance tab.

IRS Releases Tax Calendars for 2026

The IRS issued Publication 509, Tax Calendars for Use in 2026, which includes important due dates for all types of businesses as well as for individuals. PayrollOrg's Compliance Calendar is also a due date resource and has been updated for 2026. By using the calendars, taxpayers do not have to figure out the dates themselves or adjust for Saturdays, Sundays, or legal holidays. Publication 509 contains a new section in the Introduction with information about IRS forms and publications that are offered in Spanish, which are available on the IRS's Forms, Instructions, and Publications webpage.

Employer's Tax Calendar The Employer's Tax Calendar section of Publication 509 covers various dates of interest to employers, including the due dates both for filing returns and for making deposits of taxes throughout the year, such as:

- Income tax withheld from employees' wages or from nonpayroll amounts paid out.
- Social security and Medicare (FICA) taxes withheld from employees' wages and the social security and Medicare taxes an employer must pay.

- Federal unemployment (FUTA) tax an employer must pay. Publication 509 should be used with Circular E, Employer's Tax Guide (Publication 15), which provides the rules governing when deposits must be made.

IRS Issues Guidance on HSA Changes Under OBBBA

On December 9, the IRS issued guidance on new tax benefits for health savings accounts (HSAs) made under Public Law 119-21, known as the One Big Beautiful Bill Act (OBBBA) [Notice 2026-5, 2026-2 IRB 309]. The OBBBA amended IRC §223, which permits eligible individuals to establish an HSA.

Background HSAs receive tax-favored contributions by or on behalf of eligible individuals. Money in HSAs may be used on a tax-free basis to pay or reimburse medical expenses. To qualify under IRC §223(c)(1), an individual must be covered under a high deductible health plan (HDHP) and have no disqualifying health coverage. An HDHP is a health plan that has requirements for minimum deductibles and maximum out-of-pocket expenses. Only eligible individuals can make contributions to an HSA or receive employer contributions to an HSA. HDHPs cannot provide benefits to individuals until the minimum annual deductible for that year is satisfied. HDHPs are not permitted to require a payment of an annual deductible plus other annual out-of-pocket expenses (other than premiums) above the out-of-pocket maximum for the year. Section 223(c)(2)(C) provides a safe harbor for HDHPs that do not have a deductible for preventive care. The 2026 minimum deductible amounts for HSA- compatible HDHPs are $1,700 ($1,650 in 2025) for self-only coverage and $3,400 ($3,300 in 2025) for family coverage. The 2026 maximum annual out-of-pocket amount for HDHP self- only coverage is $8,500 ($8,300 in 2025), and the maximum annual out-of-pocket amount for HDHP family coverage is twice that, $17,000 ($16,600 in 2025).

Changes under the OBBBA

Here are two changes the OBBBA makes to HSAs and HDHPs.

Telehealth and remote care. OBBBA §71306 amends IRC §223(c)(2)(E) to clarify that a health plan can still be considered an HDHP even if it offers telehealth and other remote care services without requiring a deductible. This allows employers to provide telehealth and other remote care services to HDHP participants on a pre-deductible basis without causing employees to become ineligible to contribute to HSAs. This amendment applies to plan years beginning after December 31, 2024, and retroactively makes permanent the same provision from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Direct primary care service arrangements. OBBBA §71308 amends IRC §223(c)(1) by adding paragraph (E), which allows direct primary care service arrangements to be compatible with HSAs. Effective after December 31, 2025, direct primary care arrangements are eligible for HSA coverage, as long as the membership fee does not exceed $150 per month for an individual ($300 per month if the arrangement covers more than one person). The notice has FAQs for both topics, as well as on other subjects.

IRS Provides Overview of Trump Accounts

In December, the IRS provided an overview for Trump accounts, a new type of individual retirement account (IRA) for eligible children that was created by Public Law 119-21, known as the One Big Beautiful Bill Act. Notice 2025-68 provides an overview as well as questions the IRS intends to address in forthcoming proposed regulations [Notice 2025-68, 2025-52 IRB 856].

General overview A Trump account is a type of traditional IRA established for children. Amounts generally cannot be withdrawn from Trump accounts before January 1 of the calendar year in which the child turns 18 years old. After then, the account will be treated as a traditional IRA and will be generally subject to the same rules as other traditional IRAs. The federal government said it will make a one-time $1,000 pilot program contribution to the Trump account of each eligible child for whom an election is made. The child must be a U.S. citizen who is born on or after January 1, 2025, through December 31, 2028, with a valid social security number to receive the pilot program contribution.

People can contribute to these accounts, up to an aggregate limit of $5,000 per year. Employers may contribute to a Trump account of the employee or the employee's dependent up to $2,500 per year (which counts toward the $5,000 annual limit) under an employer's Trump account contribution program. This contribution will not count toward the employee's taxable income. Annual contribution limits are indexed to inflation and will adjust starting after 2027. Contributions to Trump accounts cannot be made before July 4, 2026.

USCIS Reduces Maximum Validity Periods for Some EADs to 18 Months

On December 4, U.S. Citizenship and Immigration Services (USCIS) announced that it updated its Policy Manual to reduce the maximum validity period for Employment Authorization Documents (EADs) for certain categories of aliens [USCIS, USCIS Increases Screening, Vetting of Aliens Working in U.S., 12-4-25]. The maximum validity period for initial and renewal EADs has changed from 5 years back to 18 months, beginning on

December 5. USCIS said the update incorporates changes to EAD validity periods made by recent legislation to ensure proper vetting and screening of aliens.

EAD validity periods

The maximum validity period for initial and renewal EADs is reduced to 18 months for certain categories of aliens with applications for employment authorization that are pending or filed on or after December 5, 2025, including:

- Aliens admitted as refugees
- Aliens granted asylum
- Aliens granted withholding of deportation or removal
- Aliens with pending applications for asylum or withholding of removal
- Aliens with pending applications for adjustment of status under INA 245
- Aliens with pending applications for suspension of deportation, cancellation of removal, or relief under the Nicaraguan Adjustment and Central American Relief Act.

Additionally, H.R. 1, known as the One Big Beautiful Bill Act (Pub. L. 119-21), requires that the validity period for initial and renewal EADs be 1 year or the end date of the authorized parole period or duration of temporary protected status (TPS), whichever is shorter for:

- Aliens paroled as refugees
- Aliens granted TPS
- Aliens granted parole
- Aliens with a pending TPS application and
- Alien spouse of entrepreneur parole. USCIS said the reduced maximum validity periods will result in more frequent vetting of aliens who apply for authorization to work in the United States

US Department of Labor issues 6 opinion letters addressing employee classification, bonuses, overtime exemptions, family medical leave

WASHINGTON – The U.S. Department of Labor's Wage and Hour Division issued six opinion letters designed to promote clarity, consistency, and transparency in the application of federal labor standards under the Fair Labor Standards Act and Family and Medical Leave Act.

The opinion letters issued are:

FLSA2026-1: Whether an employee's role meets the criteria for the learned professional exemption under section 13(a)(1) of the FLSA, and, if so, whether an employer is nevertheless permitted to reclassify the employee as non-exempt.

FLSA2026-2: Whether section 7(e) of the FLSA permits an employer to exclude certain bonus payments from an employee's regular rate of pay. The letter also addresses how to include these payments in the calculation of employee overtime premiums if the payments must be included in an employee's regular rate of pay.

FLSA2026-3: Whether a union and employer can enter into a collective bargaining agreement that mandates a 15-minute "roll call" prior to each scheduled shift but excludes that time when calculating overtime premiums under the FLSA.

FLSA2026-4: Whether, for purposes of the overtime exemption for certain commissioned employees in section 7(i) of the FLSA, an employer in a jurisdiction in which the state minimum wage exceeds the federal minimum wage must use the federal minimum wage, or alternatively, the higher state minimum wage, to determine whether it has satisfied the minimum pay standard in section 7(i)(1), and whether tips are deemed compensation for purposes of section 7(i)(2)'s requirement that more than half the employee's compensation consist of commissions.

FMLA2026-1: How a school closure of less than a full week impacts the amount of leave a school employee uses under the FMLA.

FMLA2026-2: Whether FMLA leave may be used for time spent traveling to or from medical appointments, including where an employee provided the employer with medical certification from a health care provider that confirms the employee's need for the appointment, but the certification does not address travel to or from the appointment.

State News

Arkansas

Withholding tables updated. Effective 1-1-26, the state has updated withholding tax instructions for employers, withholding tables, and the withholding formula. The supplemental wage tax rate remains 3.9%.

California

Garnishment period, notice changed. Effective 1-1-26, the withholding period for a garnishment begins 30 days after the notice of a withholding order is provided to an employer (previously to the employee). If the employer has notice of a claim of exemption before the close of business on the 29th day after receipt of the withholding order, then the withholding period begins 45 days after receipt. Employers will also have to provide details of the date that the withholding order was provided to the employee, by who, and how [A.B. 774, L. 2025].

Withholding tables updated. Effective 1-1-26, the Employment Development Department (EDD) has issued updated wage bracket (Method A) and exact calculation (Method B) withholding tables. The supplemental wage tax rate remains 6.6% and 10.23% for stock options and bonus payments [EDD, Withholding Schedules].

Delaware

Withholding tax filing thresholds updated. Withholding tax deposit and filing frequencies are determined by the Division of Revenue (DOR) using a lookback period from July 1 to June 30 of the immediately preceding calendar year. For 2026, employers that withheld $6,020 or less (was $5,870 or less) during the lookback period will remit withholding taxes on a quarterly basis. Employers that withheld $6,020.01 to $33,460 (was $5,870.01 to $32,590) during the lookback period will remit on a monthly basis, and employers withholding $33,460.01 or more (was $32,590.01 or more) during the lookback period will remit on an eighth-monthly basis [DOR, Lookback Period].

Hawaii

TDI taxable wage base, employee contribution rate announced. For 2026, the temporary disability insurance (TDI) weekly wage base increased to $1,500.21 from $1,441.72. The employee contribution remains a maximum of 0.5% of weekly earnings up to the wage base ($7.50 for 2026) [Department of Labor and Industrial Relations, 2026 Maximum Weekly Wage Base and Maximum Weekly Benefit Amount, 12-10-25].

Withholding tables updated. Effective 1-1-26, the Department of Taxation has issued updated percentage method and wage bracket withholding tables. Hawaii does not have a specific supplemental withholding tax rate.

Indiana

County and state tax rates changed. Effective 1-1-26, six counties have income tax rate increases: Carroll County increased to 0.024733 from 0.022733 Grant County increased to 0.0275 from 0.0255 Greene County increased to 0.0235 from 0.0215 Howard County increased to 0.0235 from 0.0195 Shelby County increased to 0.017 from 0.016 and Union County increased to 0.0275 from 0.02. Also effective 1-1-26, the state supplemental wage tax rate decreased to 2.95% [Department of Revenue, Departmental Notice No. 1].

Iowa

Supplemental wage tax rate corrected. Effective 1-1-26, the supplemental wage tax rate remains 3.8%. The rate was reduced to 3.8% for 2025 [DOR, Iowa Withholding Tax Information Iowa Code §§422.5, 422.16].

Louisiana

Withholding tables revised. Effective 1-1-26, the Department of Revenue has issued revised wage bracket withholding tables and the withholding formula. Louisiana does not have a set tax rate for supplemental wages.

Missouri

Withholding tables updated. Effective 1-1-26, the Department of Revenue has updated the wage bracket withholding tables and the withholding tax formula. The supplemental wage tax rate remains 4.7%.

Montana

Withholding tables updated. Effective 1-1-26, the Department of Revenue (DOR) has issued updated percentage method and wage bracket withholding tables. The supplemental wage tax rate remains 5% [DOR, Employer and Information Agent Guide, rev. November 2025 News Release, 12-8-25].

North Dakota

Withholding tables updated. Effective 1-1-26, the Office of the State Tax Commissioner (STC) has issued updated percentage method and wage bracket withholding tables. There are different withholding tables for employees who are still using pre-2020 Forms W-4. The supplemental wage tax rate remains 1.5% [STC, Income Tax Withholding Rates and Instructions for Wages Paid in 2026, December 2025].

Ohio

School district income tax rate changed. Effective 1-1-26, the Department of Taxation has issued a chart detailing school district income tax rate changes. Every employer that maintains an office or transacts business in Ohio and pays compensation to an employee who is a resident of a school district with an income tax must withhold income tax for that school district from the employee's compensation.

Supplemental tax rate reduced. Effective 1-1-26, the supplemental wage tax rate is reduced to 2.75%. Withholding tables were updated effective October 1. The state administrative code sets the supplemental wage tax rate at the highest personal income tax rate previously it was fixed at 3.5% [Department of Taxation, Employer Withholding – Tax Rates].

Oklahoma

Withholding tables updated, supplemental wage tax rate reduced. Effective 1-1-26, the Tax Commission has issued updated percentage method and wage bracket withholding tables. Also effective 1-1-26, the supplemental wage tax rate is reduced to 4.5% from 4.75% for supplemental wages paid separately from regular wages in certain circumstances.

Oregon

Statewide transit tax increase on hold. The statewide transit tax increase that was set to take effect 1-1-26 has been put on hold. The tax rate remains 0.1% and did not increase to 0.2% as previously reported. According to the Department of Revenue (DOR), Initiative Petition 302 was certified by the Oregon Secretary of State to refer the issue to the voters. The increase will appear on the November 2026 ballot, and the tax increase pause is in effect pending the outcome of the election [DOR, About the Statewide Transit Tax].

Rhode Island

Withholding tables updated. Effective 1-1-26, the Division of Taxation (DOT) has issued updated wage bracket and percentage method withholding tables. The supplemental wage tax rate remains 5.99% [DOT, 2026 Rhode Island Employer's Income Tax Withholding Tables].

Vermont *Withholding tables updated.* Effective 1-1-26, the Department of Taxes has issued updated wage bracket and percentage method withholding tables. Withholding for supplemental payments can continue to be estimated at 30% of federal withholding.