

Payroll Withholding Rates and Limits

The chart below can be used as a guide for 2025/2026 payroll withholding rates and limits.

	2025	2026
FEDERAL MINIMUM WAGE	\$7.25	\$7.25
PA MINIMUM WAGE	\$7.25	\$7.25
SOCIAL SECURITY		
<u>Taxable Wage Base</u>		
FICA Limit	\$176,100	\$184,500
Medicare Limit	No Limit	No Limit
<u>Employee Withholding</u>		
FICA Portion - 6.20% Rate	7.65%	7.65%
Medicare Portion - 1.45% Rate	\$10,918 Limit	\$11,439 Limit
Additional Medicare Tax - .9% Rate	No Limit	No Limit
	Imposed on wages over \$200,000	Imposed on wages over \$200,000 ²
<u>Employer Liability/per employee 7.65%</u>		
FICA Portion - 6.20%	\$10,918	\$11,439
Medicare Portion - 1.45% Rate	No Limit	No Limit
<u>Self-Employment Tax Rate</u>	15.30%	15.30%
MAXIMUM EARNINGS - SOCIAL SECURITY RECIPIENTS		
Under Full Retirement Age for Entire Year*	\$23,400	\$24,480
For Months Before Reaching Full Retirement Age in Given Year**	\$62,160	\$65,160
Beginning with Month Reach Full Retirement Age	No Limit	No Limit
*For each \$2 earned above this amount, \$1 benefit is lost		
**For each \$3 earned above this amount, \$1 benefit is lost		
FUTA		
Taxable Wage Base	\$7,000	\$7,000
Gross Tax Rate (6.0%)		
Minimum FUTA Credit (5.4%)		
Net FUTA Rate	.6%	.6%
FEDERAL INCOME TAX WITHHOLDING FROM SUPPLEMENTAL WAGES¹		
<u>Method 1 - Flat Rate</u>		
Payments < \$1,000,000	22.0%	22.0%
Payments > \$1,000,000	(Highest Tax Rate 37%)	(Highest Tax Rate 37%)
or		
<u>Method 2</u>	Add the supplemental wages to the regular wages for the most recent payroll period; compute the income tax withholding as if the total were a single payment; subtract the tax already withheld from regular wages; withhold the remaining tax from supplemental wages. Use method 2 if no withholding was made from the employee's regular wages.	
STANDARD MILEAGE RATE		
Rate when using the simplified method to reimburse employees for business miles driven.	70¢	TBD, Estimate 69¢ - 71¢
PA PERSONAL INCOME TAX WITHHOLDING RATE	3.07%	3.07%
PA UNEMPLOYMENT COMPENSATION		
<u>Taxable Wage Base for Employer Contribution</u>	\$10,000	\$10,000
<u>Employee Contribution Rate</u> - withheld on employee total wages not limited as listed	.07%	.07%

[1] Supplemental wages are payments to an employee, in addition to the ordinary wages, which are not regularly recurring, such as bonuses, prizes, awards, back pay, overtime, commissions and severance pay.

[2] \$250,000 for married filing jointly; \$125,000 for married filing separately; and \$200,000 for all other taxpayers.

Backup Withholding Rates and Limits

Backup Withholding

Due to TCJA, as of January 1, 2018, payments that are not subject to normal income tax withholding, such as payments to independent contractors, interest, dividends, and royalties, are subject to withholding at a rate of 24% if the payee has failed to furnish their correct taxpayer identification number. These non-payroll income tax backup withholdings must be reported on Form 945, Annual Return of Withheld Federal Income Tax. There are two deposit schedules—monthly or semiweekly—for determining when you must deposit withheld federal income tax. These schedules tell you when a deposit is due after a tax liability arises (that is, you make a payment subject to federal income tax withholding, including backup withholding). You must determine which schedule you are on before the beginning of each calendar year. For 2026, you're a monthly schedule depositor for Form 945 if the total tax reported on your 2024 Form 945 (line 3) was \$50,000 or less. If the total tax reported for 2024 was more than \$50,000, you're a semiweekly schedule depositor. There are two exceptions: the \$2,500 rule and the \$100,000 next-day deposit rule. If you accumulate a total Form 945 tax liability of less than \$2,500 for the year, no deposits are required, and the liability may be paid with Form 945. If \$100,000 or more is accumulated on any day during a deposit period, it must be deposited by the next banking day, whether you are a monthly or semiweekly schedule depositor. If you were a monthly depositor, your deposit schedule changes on the next day to semiweekly for the remainder of the year and for the following year as well.

New Employees

Complete Immigration and Naturalization Service's Form I-9, Employment Eligibility Verification Form. Maintain completed forms as part of personnel files. Effective January 20, 2025, all new hires must complete the new 2025 version of the W-4 form. This form must also be used for current employees who want to change their withholding. Employers doing business in the Commonwealth of Pennsylvania must report the following employees:

- New Employees: Employers must report all employees who reside or work in the Commonwealth of Pennsylvania. Employees should be reported even if they work only one day and are terminated or leave employment prior to the employer fulfilling the new hire reporting requirement. However, if the employee never earned wages, he/she does not need to be reported.
- Re-hires or Re-called employees: Employers must report rehires, or employees who return to work after not receiving wages for more than 30 calendar days. This includes being laid off, furloughed, separated, or terminated from employment for any reason. Examples of such employees include teachers, substitutes, seasonal workers, etc.
- Temporary employees: Temporary agencies are responsible for reporting any employee who they hire to report for an assignment. Employees need to be reported only once; they do not need to be re-reported each time they report to a new assignment. They do need to be reported as a rehire if the worker has a break in service or gap in wages from the temporary agency.

The information must be submitted within 20 days of hiring the employee. Further information and reporting can be done online at www.pacareerlink.pa.gov.

New Employees

Effective January 1, 2013, individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly) pay an additional 0.9% in Medicare taxes. An employer is required to begin withholding the 0.9% Additional Medicare Tax in the pay period in which wages in excess of \$200,000 are paid to an employee. There is no employer match for the Additional Medicare Tax.

Tax Deposit Rules and Requirements

The following chart is a summary of Federal and Pennsylvania state payroll tax deposit requirements.

DEPOSIT FREQUENCY	FEDERAL	STATE
<u>Quarterly</u>	If the payroll tax liability is less than \$2,500 in a calendar quarter, the payment can be submitted quarterly with the filing of Form 941. The due date is the last day of the month following the close of the quarter.	If the payroll tax liability is less than \$300 in a calendar quarter, the payment can be submitted quarterly with the filing of Form PA W-3. The due date is the last day of the month following the close of the quarter.
<u>Monthly</u>	If the payroll tax liability is greater than \$2,500 but \$50,000 or less during the four calendar quarters in the lookback period (July 1 through June 30 of the prior year), taxes must be deposited on or before the 15th day of the following month by using EFTPS, a federal reserve bank, or an authorized financial institution.	If the payroll tax liability is equal to or greater than \$300 but less than \$1,000 in a calendar quarter, the taxes must be paid on or before the fifteenth day of the following month using Telefile or e-TIDES/myPATH.
<u>Semimonthly - PA Only</u>	N/A	If the payroll tax liability is equal to or greater than \$1,000 but less than \$5,000 in a calendar quarter, the taxes must be paid on or before the third business day following the 15th and last days of the month.
<u>Semiweekly</u>	<p>If the payroll tax liability is greater than \$50,000 during the four calendar quarters in the lookback period, taxes must be deposited on or before Wednesday (for payment dates of Wednesday, Thursday, and/or Friday), or Friday (for payment dates of Saturday, Sunday, Monday, and/or Tuesday). Semi-weekly depositors have a minimum of three business days after the end of the semi-weekly period to deposit taxes. See below for those employers required to deposit using the Electronic Federal Tax Payment System (EFTPS).</p> <p>Special One-Day Rule Exception: In the event an employer accumulates employment taxes of \$100,000 or more in any deposit period, the liability must be deposited on the next banking day after the threshold is reached, regardless of the employer's deposit schedule. A monthly depositor, in this situation, becomes a semi-weekly depositor on that day and remains so for the remainder of the calendar year and for the following calendar year.</p> <p>See: "Electronic Federal Tax Payment System."</p>	<p>If the payroll tax liability is \$5,000 or greater per quarter or greater than \$20,000 per calendar year, the employer will be required to make semi-weekly deposits. The taxes are due on the Wednesday following the pay dates for employers whose paydays fall on a Wednesday, Thursday, or Friday, and on the Friday following the pay dates for employers whose paydays fall on Saturday, Sunday, Monday, or Tuesday. Use the Electronic Funds Transfer Program if the deposit is \$5,000 or more (see succeeding EFT info).</p> <p>An employer that can reasonably anticipate that its employer withholding will be \$5,000 or more in a calendar year will be required to report and remit the tax on a semi-weekly schedule. This change requires the largest employers to submit withheld taxes to the department on a schedule similar to the one used by the IRS.</p>

Pennsylvania's Adoption of myPath: The PA Department of Revenue has replaced the e-TIDES system and the PA-100 system with the myPATH system as of the end of November 2022. The myPATH system should be the main online resource by the end of calendar year 2022, per the PA Department of Revenue. The myPATH system can be used for electronically filing returns, making payments, renewing licenses, and providing online services for most business taxes administered by the department. The department recommends customers refer to its self-service options, including the myPATH Information page, Revenue 411 Videos, Customer Service Center, or by engaging PATHfinder, the online chatbot, on myPATH. The Revenue 411 Video, or myPATH tutorial videos, are expected to contain helpful resources for customers to transition from the e-TIDES system to the myPATH system. Customers can create accounts, and third parties, like an accountant, can request access to your account.

For individuals, electronic estimated payments of \$15,000 or over should be done electronically through myPATH. This is effective for January 1, 2022, in Pennsylvania.

Fringe Benefit Matrix

The chart below can be used as a guide for understanding federal and state status of common fringe benefits. It provides a reference for use in preparing employee W-2 Forms.

EMPLOYMENT TAX PROVISIONS	FEDERAL TAXABLE	FIT W/H	FICA W/H	SUBJECT TO FUTA	PA W/H	PA UC	LOCAL W/H
Auto - Personal Use	YES	OPTIONAL	YES	YES	1	YES	1
Bonuses	YES	YES	YES	YES	YES	YES	YES
Dependent Care	NO	NO	NO	NO	NO	NO	NO
Christmas Gifts (Other than non-cash gifts of nominal value)	YES	YES	YES	YES	YES	YES	YES
Club Dues	YES	YES	YES	YES	YES	YES	YES
Commissions	YES	YES	YES	2	YES	2	YES
Disability Insurance Premiums	NO	NO	NO	NO	NO	NO	NO
Sick or Disability Payments	3	YES	4	4	5	4	5
Qualified Cafeteria Plans	NO	NO	NO	NO	6	YES	6
HSA Contributions - Employer	NO	NO	NO	NO	NO	YES	NO
HSA Contributions - Employee	NO	NO	NO	NO	6	YES	6
Health Insurance Premiums (including dental & vision) paid by employer	NO	NO	NO	NO	NO	NO	NO
Non-qualified Deferred Compensation	YES	YES	YES	YES	7	YES	7
Group Term Life in Excess of \$50,000	YES	NO	YES	8	NO	NO	NO
Employer Paid Premium on Individual Life Insurance Policies	YES	YES	8	8	NO	YES	NO
401K & SEP (Employee Elective Deferral)	NO	NO	YES	YES	YES	YES	YES
Exceptions-S Corp. Shareholder:							
Health Insurance	YES	YES	NO	NO	NO	NO	NO
Cafeteria Plans ⁹							
Disability Insurance	YES	YES	NO	NO	NO	NO	NO

[1] No, if it is for use of employer owned or employer leased vehicle. Reimbursement for personal use of non-employer owned property is taxable unless under an accountable plan.

[2] Yes, unless the commission is paid to an insurance agent or solicitor who is paid solely by commission.

[3] Yes, except for: workers compensation benefits; employer reimbursements for medical expenses from a fully insured plan or a nondiscriminatory self-insured plan; payments unrelated to an employee's absence from work (such as a fixed sum paid for a loss of a limb); damages on account of personal injury; and payments attributable to employee contributions.

[4] Yes, through first six full calendar months following employee absence.

[5] No, for sickness and disability pay unless it is a wage continuation pay where the employee receives regular wages from the employer.

[6] No, if the cafeteria plan qualifies under IRC Section 125 as a hospitalization, sickness, disability, or death plan and does not discriminate in favor of highly compensated individuals.

[7] No, if it meets the definition of a pension for Pennsylvania.

[8] No, if the benefit is provided by a plan.

[9] More than 2% S corporation shareholders, including their spouse, children, grandchildren, and parents, are not permitted to participate in cafeteria plans maintained by the S Corporation.

Pension Plans

The following chart reflects the 2026 pension deferral limitations announced by the IRS, compared with the 2025 limits.

MAXIMUM DOLLAR LIMITS

	2025	2026
401(k), Roth 401(k), 403(b), or 457 Elective Deferrals – employee contribution limit <ul style="list-style-type: none"> The lesser of this limit or 100% of compensation 	\$23,500	\$24,500
Defined Contributions Plans – total annual participant contributions (includes employer contributions and employee deferrals) <ul style="list-style-type: none"> The lesser of this limit or 100% of compensation 	70,000	72,000
Annual Compensation Limit – the annual compensation limit that can be considered for computing plan contributions and benefits	350,000	360,000
Highly Compensated Limit – the annual compensation limit when determining highly compensated employees	160,000	160,000
Key Employee Compensation Limit – the annual compensation limits an officer can earn before being considered a key employee (note: there are also other tests for determining key employees)	230,000	235,000
SEP Coverage Minimum Compensation – the annual compensation that must be earned to be eligible to participate in a SEP plan	750	800
SIMPLE Retirement Accounts – annual contribution limit	16,500	17,000
Defined Benefit Plans – maximum annual benefit payable to a participant under a defined benefit plan	280,000	290,000

Catch-up Contributions – A plan may allow individuals who have attained age 50 by year end to make catch-up contributions. The otherwise applicable dollar limit on elective deferrals under a 401(k) plan, 403(b) annuity, SEP or SIMPLE or deferrals under 457 plan is increased. Catch-up contributions are not subject to any other contribution limits and are not taken into account in applying other contribution limits. In addition, they aren't subject to applicable nondiscrimination rules. However, they must be available to all over age 50 participants on an equal basis. An employer is permitted to make matching contributions with respect to catch-up contributions. Any such matching contributions are subject to the normally applicable rules. The allowable catch-up contribution applicable to 401(k), 403(b), SEP and 457 plans for 2025 is \$7,500 and for 2026 is \$8,000 for age 50 to 59 or 64 or older. Beginning in 2026, those between age 60 and 63 will be eligible to contribute up to \$11,250 as a catch-up contribution. For SIMPLE IRA and SIMPLE 401(k) plans the amount is \$3,500 for 2025 and \$4,000 for 2026.

