

PAYROLL NEWSLETTER

SOCIAL SECURITY ADMINISTRATION & INTERNAL REVENUE SERVICE

- **One Big Beautiful Bill Act (OBBBA)** signed into law on July 4, 2025, significantly affects federal taxes, credits and deductions. For more information on the law and how it impacts payroll reporting, please see the One Big Beautiful Bill Act attachment.
- Employers must **e-file informational returns which include W-2s and 1099s from if they are required to file a total of 10 or more forms**. This regulation includes the combined total for all informational forms filed.
- **For tax year 2026, the employee & employer tax rates for Social Security remain at 6.2%. The 2026 wage base for Social Security increases to \$184,500.** All wages are subject to Medicare.

Employers are required to withhold 0.9% Additional Medicare Tax on FICA wages or RRTA compensation it pays to an employee in excess of \$200,000 in a calendar year. The employer is required to begin withholding Additional Medicare Tax in the pay period in which it pays wages or compensation in excess of \$200,000 to an employee and continues to do so until the end of the calendar year. **The Additional Medicare Tax is only imposed on the employee; there is no employer share of Additional Medicare Tax.**

- **IMPORTANT:** If you prepare payroll through a computerized system, please **be sure to update your tax tables through your software company BEFORE preparing your first payroll in January 2026.**
- **The IRS mails out notices relating to the 2026 Federal Tax Deposit Requirements.** If you did not receive a notice and are questioning your deposit frequency, please check the lookback period and refer to IRS Notice 931 – Deposit Requirements for Employment Taxes at www.irs.gov
- **IMPORTANT REMINDER: to timely deposit taxes electronically through EFTPS,** please remember to initiate the transaction by 8 p.m. Eastern time (7 p.m. Central) at least one business day before the date the deposit is due. Go to www.eftps.gov for further information.
- **Form 940 – for 2025, Minnesota IS NOT a credit reduction state, therefore Schedule A (Form 940) is not required to be filed with Form 940.** California and the Virgin Islands are the only credit reduction states for 2025. If you have questions, refer to the 2025 instructions for Form 940 and Schedule A (Form 940) at www.irs.gov or also find it on our website at www.phbcpa.com.
- **The Affordable Care Act** provides that employers are required to report the cost of employer-provided health care coverage on W-2s. **For 2025, you are not required to report the cost on the W-2s if you filed less than 250 W-2s in 2024.**

MINNESOTA REVENUE

- Beginning **January 1, 2026**, Minnesota's new **Paid Family and Medical Leave (PFML)** program will **go into effect**. Administered by the Department of Employment and Economic Development (DEED), this statewide insurance program will provide wage replacement to eligible workers who take time off for qualifying family or medical reasons.

Program Overview

The PFML program provides Minnesota workers with partial wage replacement for up to:

- **12 weeks** of medical leave for a serious health condition
- **12 weeks** of family leave for bonding with a new child, caring for a family member, safety leave, or certain military-related needs
- **Up to 20 weeks total per benefit year**, if an employee experiences both a qualifying medical and family event.

Coverage applies to nearly all employees in Minnesota, including part-time, temporary, agricultural, religious, and seasonal workers.

****Please see the attached separate Paid Leave Newsletter for more information.****

- Minnesota's **Earned Sick and Safe Time law** requiring employers to provide paid leave to employees who work in the state is still in effect. For more information and FAQs please visit Minnesota Department of Labor and Industry, or follow this link:
<https://www.dli.mn.gov/business/employment-practices/faqs-earned-sick-and-safe-time-esst>.
- **MN Revenue withholding tax tables will be revised effective January 1, 2026.** MN Withholding tax tables are no longer mailed to employers. The booklet and other important withholding tax information are available on the website @ www.revenue.state.mn.us or go to our website at www.phbcpa.com, hover over Resources and select Forms and Downloads.

Minnesota Revenue Contact Information:

Withholding Tax: (651) 282-9999 or withholding.tax@state.mn.us

Business Registration: (651) 282-5225 or business.registration@state.mn.us

E-Services: (651) 556-3000

- **Go to the Minnesota Department of Revenue website - www.revenue.state.mn.us** for tax announcements and other important withholding tax notices. Be sure to check the website periodically for updates, as changes may occur after the 2026 Minnesota Income Tax Withholding Instruction Booklet and Tax Tables are released.
- **If you are not subscribed to receive updates from MN Revenue**, go to www.revenue.state.mn.us and enter your email address in the bottom right corner of the home page to subscribe.

MN UNEMPLOYMENT TAX

- **Minnesota Unemployment Insurance (UI) tax rates for 2026 will be mailed to all registered employers.** The minimum Total Due Estimator rate is 0.56%. This consists of the base rate of 0.40%, the Workforce Development Assessment (also referred to as Workforce Enhancement Fee) of 0.10% of the taxable wages and an additional assessment of 14% of the unemployment tax. The maximum Total Due Estimator rate is 10.70%.

IMPORTANT: Please change your MN UI tax rate BEFORE processing payroll for year 2026.

Please contact our office if you have questions relating to updating your MN UI tax rate.

- **The MN UI taxable wage base for the year 2026 increased to \$44,000.**

OTHER IMPORTANT PAYROLL RELATED INFORMATION

- **Be sure your business information is always kept current.** If you have address changes or any other changes to your business, please be sure to **make these changes with the IRS, EFTPS, MN Revenue, MN UI, MN New Hire Reporting, and the Secretary of State, if applicable.**

FORMS REQUIRED WHEN HIRING NEW EMPLOYEES

- **Form I-9:** When hired, employees and employers must complete the Department of Homeland Security, U.S. Citizenship and Immigration Services **Form I-9, Employment Eligibility Verification**. Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. Be sure to use Form I-9 (01/20/25) which is available at <https://www.uscis.gov/sites/default/files/document/forms/i-9.pdf> or on our website at www.phbcpa.com. Instructions to complete the form are included with the form. Please be sure to use the most current version of Form I-9.
- Employers must retain an employee's completed Form I-9 for as long as the individual works for the employer. Form I-9 must be retained, either three years after the date of hire, or one year after employment is terminated, whichever is later.
- **Form W-4 - Employee's Withholding Allowance Certificate:** Must be completed by each employee when hired. **The employee's name must match their Social Security card. The IRS will assess penalties on employers filing Forms W-2 with mismatched names and Social Security numbers.** We suggest that you **verify this information through SSNVS as new employees are hired.**

MN Withholding Allowances – employees must fill out Form W-4MN as the allowances no longer follow the Federal W-4. Note: If an employee claims to be exempt from Minnesota withholding, you must have them complete a new Form W-4MN each year.

Refer to IRS Publication 15 – Circular E, Employer's Tax Guide and/or the Minnesota Income Tax Withholding Instructions and Tax Tables for Quarterly and Annual Filers for further information relating to Form W-4/W-4MN which can be accessed at www.IRS.gov, at www.revenue.state.mn.us/ or through our website at www.phbcpa.com.

- **MN Wage Theft Law:** Employers are required to provide each employee with a written notice at the start of their employment. The notice must contain specific information about an employee's employment status and terms of employment. To find the full listing of the required information or sample notice go to www.phbcpa.com or https://www.dli.mn.gov/sites/default/files/pdf/wage_theft_summary_employers.pdf.
- **New Hire Reporting:** Employers are required to submit their new hire reports within 20 days after an employee is hired or re-hired or returns to work. There are various ways to report new hires including electronic online reporting, by mail or fax. For detailed instructions, call the MN New Hire Reporting Center toll free at (800) 672-4473, visit the website at www.MN-NewHire.com.
- **Other States New Hire Reporting - New Hire Reporting is required in all 50 states.** Please contact each state to find out the new hire reporting requirements.
- **Earned Sick and Safe Time:** Employers must provide employees with a notice at the start of employment informing them about Earned Sick and Safe Time. A sample notice can be found here: <https://www.dli.mn.gov/sick-leave#notice>.