



Payroll Month in Review

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Top stories

State unemployment insurance employee notice and poster requirements

Most states require that employers tell employees about their potential eligibility for unemployment insurance benefits. There are two forms of communications that most states require—a notice to employees at the time of separation and/or a poster placed in a conspicuous location in the workplace. Our special report has the results of our March 2023 survey of state workforce agency websites and includes links, if applicable, to the state's employee separation notice, workplace poster and the authority governing these requirements.

—[Download the latest state survey](#)

US employment tax rates and limits

In our 2023 edition of US employment tax rates and limits you will find, as of April 26, 2023, the following:

- Social Security wage base for 2023
- Qualified pension plan limits for 2022 and 2023
- Health Savings Account limits for 2022 and 2023
- Fringe-benefit inflation adjustments and Form W-2 penalties for 2023
- Federal mileage rates and luxury vehicle limits for 2023
- Per diem rates under high-low substantiation method for 2023
- 2021 and 2022 FUTA credit reduction
- State unemployment insurance wage bases and tax rates for 2023
- Disability and paid family leave insurance wage base and rates for 2023
- Federal income tax withholding for 2023
- State income tax withholding tables, supplemental withholding and the highest withholding tax rates for 2023

—[Download the latest report](#)

Alabama rules that income tax applies to remote worker providing services from Idaho home office

On March 8, 2023, the Alabama Tax Tribunal upheld an Alabama Department of Revenue assessment of income tax on the wages that a remote worker earned from his Alabama employer while working from his home office in Idaho. ([Mark E. Bollinger v. State of Ala. Dep't of Rev., Inc. 22-390-LP \(Ala. Tax Tribunal, 3/8/23\)](#))

—[Read more about this development in EY Tax Alert 2023-0609](#)

Federal developments

President Biden's FY 2024 budget proposes many changes affecting employers and employees

President Biden's FY2024 [budget](#) and its accompanying "[Green Book](#)" propose changes of interest to employers and employees. For example, the proposals would make permanent some employer and employee credits while reducing others, such as the work opportunity tax credit. In addition, the budget repropose, from prior budgets, specific tax rules for on-demand pay arrangements and other tax changes that may be of interest to employers.

—[Read more about this development in EY Tax Alert 2023-0514](#)

Social Security Administration publishes wage base projections for 2024 through 2032

For those responsible for employment tax budgets, or just curious what the future may hold, the Social Security Administration recently published the estimated Social Security wage-base limits for employers and employees for calendar years 2024 through 2032. ([2023 Social Security Board of Trustees, Press Release, 3-31-2023](#); [The 2023 OASDI Trustees Report, Table V.C.1.](#))

—[Read more about this development in EY Tax Alert 2023-0651](#)

State income tax withholding

Michigan lowers income tax rate retroactive to January 1, 2023, but the withholding tables will not be updated

On March 29, 2023, the Michigan Department of Treasury [announced](#) that retroactive to January 1, 2023, the personal income tax rate will be reduced from 4.25% to 4.05%. The Department also [announced](#) that the reduced rate of 4.05% will not be reflected in its 2023 withholding tables and states that individuals with questions about their 2023 Michigan income tax withholding should contact their employers or the Department directly.

—[Read more about this development in EY Tax Alert 2023-0670](#)

Montana lowers top individual income tax rate effective January 1, 2024

The Montana legislature approved multiple pieces of legislation that were part of Governor Greg Gianforte's budget proposal. The legislation, signed into law March 13, 2023, adopts a single sales factor apportionment formula, reduces Montana's top individual income tax rate, replaces the net-long term capital gain deduction with a tiered-rate system and increases the business equipment property tax exemption.

—[Read more about this development in EY Tax Alert 2023-0436](#)

West Virginia issues revised 2023 withholding tables and formulas for immediate use by employers

On March 16, 2023, West Virginia Governor Jim Justice [announced](#) that the West Virginia State Tax Department has [released](#) a revised [Form IT-104, Employee's Withholding/Exemption Certificate](#) and income tax withholding tables/formula for 2023, which employers should begin using immediately. The revised withholding tables/formula reflect the personal income tax cut that applies retroactive to January 1, 2023, under [H.B. 2526](#).

—[Read more about this development in EY Tax Alert 2023-0527](#)

Local payroll tax

Michigan Department of Treasury clarifies Detroit income tax liability for remote workers and employer withholding liability during the COVID-19 emergency and beyond

The Michigan Department of Treasury, [which administers](#) the Detroit income tax, has published guidance clarifying remote workers' liability for the city tax, employers' withholding obligations during and after the COVID-19 emergency and how to request a refund if necessary. (*Michigan Department of Treasury Update, February 2023.*)

—[Read more about this development in EY Tax Alert 2023-0758](#)

Other payroll developments

California unclaimed property holders that want to participate in the state's Voluntary Compliance Program can now submit an interest form to receive an application

The California State Controller's Office (SCO) [announced](#) on its website that holders of unclaimed property (Holders) may complete an interest form for the voluntary compliance program (VCP) enacted by [AB 2280](#) in September 2022. The VCP allows the 12% statutory interest to be waived for Holders that report past-due unclaimed property and meet the program's requirements. This unclaimed property VCP is the first of its kind offered by the SCO in over 20 years.

Holders must complete a "VCP Interest Form" to receive an application form to enroll in the VCP.

—[Read more about this development in EY Tax Alert 2023-0607](#)

Bill watch (bills introduced but not yet enacted)

Alabama

SB 65	Status: Read second time in House of Origin, 3-21-2023 (legislature adjourns June 14, 2023)	Topic: Local tax rate control, make clear local tax applies only for work carried on within the locality (convenience of the employer rule)
Would do the following: reduce any municipal occupational license tax greater than 1% based on an annual reduction in the tax until the tax would be 1%; provide that any occupational license tax levied by any municipality does not apply to any person performing an occupation in the police jurisdiction of the municipality or on any property annexed into the municipality after January 1, 2023; provide for a referendum under certain conditions in certain counties in which two or more municipalities levied an occupational tax greater than 1% on January 1, 2023; prohibit a municipality from levying a new occupational license tax or increasing the rate of any existing municipal occupational license tax; provide for certain exceptions from any occupational taxes for certain temporary workers and for severance pay; specify the power of a municipality pursuant to Section 11-51-90 of the Code of Alabama 1975, to license an exhibition, trade, business, vocation, occupation, or profession only within the corporate limits and jurisdiction of the municipality, provide for refunds and collections of the license fees and taxes, and provide that these provisions are retroactive and declaratory of existing law.		

Georgia

SB 160	Status: Sent to Governor, 4-5-2023 (the Governor has 40 days to sign or veto the bill)	Topic: Unemployment insurance tax rates
<p>Would change the unemployment tax rate for new employers to 2.64% through 2026, increasing to 2.7% after 2026. Would make a 0.06% administrative assessment tax in effect from 2024 through 2026 that applies to new employers and employers with an experience rating; however, reimbursing employers and those employers paying the minimum or maximum unemployment tax rate would not be subject to the assessment. The administrative assessment would not be reported as contributions on the Form 940 and would be repealed entirely effective January 1, 2027.</p>		

Indiana

SB 419	Status: Conference report passed Senate, 4-28-2023	Topic: Nonresident income tax, de minimis exemption
<p>Would simplify individual income tax filings and reduce employers' withholding and reporting burdens related to employees working less than 30 days in Indiana and contains a reciprocity provision that would only apply to states offering similar withholding and personal income tax liability requirements, giving Indiana residents the same benefits when they perform out-of-state work in a state with similar safe harbor provisions.</p>		

Kansas

H.B. 2420	Status: Referred to House Committee on Taxation, 2-15-2023 (legislature adjourns May 22, 2023)	Topic: Nonresident income tax, de minimis exemption
<p>Would establish a 30-day safe harbor before nonresident employees traveling into the state for work duties are subject to income tax in Kansas and their employers to corresponding withholding obligations. This safe harbor would be available only if the nonresident's work state offers a substantially similar 30-day threshold and related provisions.</p>		

Maine

LD 1638	Status: Sent to the House Committee on Taxation, 4-12-2023 (legislature adjourns June 21, 2023)	Topic: State personal income tax rate decrease
<p>The state's individual income tax rates would decrease for tax years 2023 and 2024 from 5.8%, 6.75%, and 7.15% to 5.2%, 6.3%, 7.05%, respectively. Starting with the 2025 tax year, the rates would be reduced to 5%, 6% and 7%, respectively.</p>		

Maryland

S.B. 828	Status: Passed House and Senate, 4-10-2023. Waiting for governor's signature (the Governor has 30 days to veto)	Topic: Paid family and medical leave insurance
<p>Would do the following: delay the start date for employer/employee contributions to the state paid family and medical leave insurance plan from October 1, 2023, to October 1, 2024; prohibit a total contribution rate of more than 1.2% to be paid 50% by employers and employees; change the definition of taxable wages. Would establish a 30-day safe harbor before nonresident employees traveling to the state for work are subject to income tax in Maryland and their employers to corresponding withholding obligations. The provision includes a "key employee" exception for employees who earn over \$500,000 in compensation in the prior year.</p>		

Minnesota

SF 2346	Status: referred to Taxes, introduction and first reading, 3-1-2023 (legislature adjourns May 22, 2023)	Topic: Nonresident income tax, de minimis exemption
Would establish a 30-day safe harbor before nonresident employees traveling into the state for work duties are subject to income tax in Minnesota and their employers to corresponding withholding obligations. This safe harbor would be available only if the nonresident's work state offers a substantially similar 30-day threshold and related provisions.		

Minnesota

H.F. 442	Status: Introduction and first reading, referred to Taxes, 1-17-2023 (legislature adjourns May 22, 2023)	Topic: State personal income tax rate increase
Effective retroactive to January 1, 2023, a new tax rate of 10.85% would be levied on incomes over \$600,000 for single filers; over \$800,000 for heads of household; and over \$1 million for joint filers. The bill would also raise the income thresholds for the existing income tax brackets for all filers.		

Montana

H.B. 447	Status: Passed House committee 2-24-2023, Senate returned to House with amendments, and passed by the Senate, 4-24-2023 (legislature adjourns May 10, 2023)	Topic: Nonresident income tax, de minimis exemption
Would establish a 30-day safe harbor before nonresident employees traveling to the state for work are subject to income tax in Montana and their employers to corresponding withholding obligations. The provision includes a "key employee" exception for employees who earn over \$500,000 in compensation in the prior year.		

Nebraska

LB 416	Status: Notice of hearing 2-15-2023 (legislature adjourns June 9, 2023)	Topic: Nonresident income tax, convenience of the employer rule
The convenience of the employer rule would not be imposed unless the employee is present in Nebraska for more than 30 days in the tax year. The proposal is supported by the Council on State Taxation.		

Nebraska

L.B. 173	Status: Notice of hearing 2-23-2023 (legislature adjourns June 9, 2023)	Topic: Nonresident income tax, de minimis exemption
Would establish a 30-day safe harbor before nonresident employees traveling into the state for work duties are subject to income tax in Nebraska and their employers to corresponding withholding obligations.		

This month's insights

Louisiana's unique rule when employees are terminated

Many states require that employees be given notice of their potential eligibility for unemployment insurance (UI) benefits at the time of separation and most require that a poster concerning UI benefits be displayed prominently in the workplace. (See our [special report](#) for these state notice requirements.)

Employer communication with the state about the employee's separation is generally required only when a state notifies the employer that an employee has filed a claim for UI benefits and the employer is protesting that claim.

An exception to these general rules applies in Louisiana, where the law requires that when employees are separated from employment permanently, for an indefinite period, or for an expected duration of seven or more days under conditions that may disqualify them from receiving UI benefits, the employer must, within three days after separation, give to employees and file with the Louisiana Workforce Commission (LWC) a separation notice alleging disqualification. ([La. Admin. Code Title 40, Section IV-323.](#))

Compliance with the law is met by the employer completing [LWC-ES 77, Separation Notice Alleging Disqualification](#), in triplicate for workers who separate from employment without good cause connected with their work, are discharged for misconduct connected with their work, or are unemployed due to a labor dispute. Specifically, employers are instructed to:

- Submit LWC-77 to the LWC [online](#)
- Provide a copy of the form and "[Instructions to the Worker](#)" to the separated worker
- Mail the form to the claimant's verified or last known address, trackable by a mail carrier
- Copy the envelope used to send the form in case any disputes arise during the workforce process
- Do not request employees sign for receipt of the mailing because their denial of the package will cause nonreceipt of the form

Failure to comply with the law can result in the employer being charged for UI benefits despite the disqualification.

The requirement for the LWC-ES 77 is in addition to the [notice](#) required to be given to all separated employees about the availability of UI benefits.

Key takeaway



It is important that employers confirm their compliance with state unemployment insurance notice and poster requirements. To assist in this process, review our special report, [State unemployment insurance requirements for employee notices and workplace posters](#).

View prior editions of *Payroll Month in Review*

[Payroll Month in Review for March 2023](#)

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