



 View our services

 Email us

 Join us on LinkedIn

Top stories

Minnesota law requires paid sick and safe leave starting in 2024

On May 24, 2023, Minnesota Governor Tim Waltz signed into law the Omnibus Jobs Act (SF 3035), which includes provisions that, effective January 1, 2024, require that employers with one or more employees provide their employees with earned sick and safe leave of one hour for every 30 hours worked up to 48 hours per year.

—[Read more about this development in EY Tax Alert 2023-1088](#)

Bloomington, Minnesota requires earned sick and safe leave effective July 1, 2023

Bloomington, Minnesota has published initial [rules](#) implementing its earned sick and safe Leave [ordinance](#), which takes effect July 1, 2023.

—[Read more about this development in EY Tax Alert 2023-0968](#)

EY special report provides insights into employer compliance with federal and state Form W-4 rules for 2023

Now that most employees have filed their 2022 personal income tax returns, employers can expect an increase in withholding tax questions and a rise in adjustments to federal and state withholding allowance certificates (e.g., federal Form W-4).

Our special report explains the employer obligations for processing federal Form W-4 changes and provides a handy reference chart of the state rules that apply in 2023.

—[Download the 2023 report](#)

US employment tax rates and limits

Our 2023 edition of US employment tax rates and limits includes, as of May 25, 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](#)

Federal developments

IRS releases Health Savings Account limits for 2024

In [Revenue Procedure 2023-23](#), the IRS announced the inflation adjustments that will apply to Health Savings Accounts under IRC Section 223 effective for calendar year 2024.

—[Read more about this development in EY Tax Alert 2023-0936](#)

The Patient-Centered Outcomes Research Institute (PCORI) fee is due July 31, 2023

Issuers of specified health insurance policies and plan sponsors of self-insured health plans must pay PCORI fees by July 31, 2023, using their Form 720, *Quarterly Federal Excise Tax Return*.

—[Read more about this development in EY Tax Alert 2023-1004](#)

State income tax withholding

Arkansas issues revised 2023 withholding formula and tables; W-2 electronic filing threshold reduced

The Arkansas Department of Finance and Administration has issued revised income tax withholding instructions reflecting the reduction in the top marginal tax rate enacted under [SB 549](#) earlier this year.

—[Read more about this development in EY Tax Alert 2023-1070](#)

Indiana law lowers personal income tax rates gradually starting in 2024; exemption for dependent children is modified retroactive to January 1, 2023

On May 4, 2023, Indiana Governor Eric Holcomb signed into law [HB 1001](#), which, starting in 2024, accelerates the personal income tax cuts passed in 2022 under [HB 1002](#) and eliminates the contingency of meeting state budget thresholds for those tax cuts to apply.

—[Read more about this development in EY Tax Alert 2023-0981](#)

North Dakota issues revised 2023 withholding tables reflecting personal income tax cuts passed by the state legislature earlier this year

The North Dakota State Tax Commission issued 2023 revised [income tax withholding rates and instructions](#) in late May reflecting personal income tax cuts, which, under [H.B. 1158](#), are retroactive to January 1, 2023.

—[Read more about this development in EY Tax Alert 2023-1011](#)

State unemployment insurance

Colorado law creates new SUI surcharge and eliminates requirement for SUI premium reports; 2023 SUI tax rates unchanged but wage base increased

On May 1, 2023, Colorado Governor Jared Polis signed into law [S.B. 232](#), making numerous changes to the state's unemployment insurance (SUI) law.

—[Read more about this development in EY Tax Alert 2023-1153](#)

Other payroll developments

California will require state disability insurance contributions on all covered wages starting in 2024

Under [SB 951](#), enacted in 2022 and effective January 1, 2024, the contribution limit (wage cap) applicable to California's state disability insurance (SDI) tax is removed, resulting in SDI tax on all taxable wages.

—[Read more about this development in EY Tax Alert 2023-1134](#)

Maryland law delays start date of state's paid family and medical leave insurance program, among other changes

Maryland Governor Wes More approved [S.B. 828](#) on May 1, 2023, which delays the start date of the state's paid family and medical leave insurance program and makes other changes to the program's requirements.

—[Read more about this development in EY Tax Alert 2023-1029](#)

Minnesota law establishes paid family and medical insurance program with contributions and benefits starting January 1, 2026

On May 25, 2023, Governor Tim Waltz signed into law [H.F. 2](#), which establishes a state paid family and medical leave (PFML) insurance program to be administered by a new division of the Minnesota Department of Economic Development (DEED). The program will initially be funded with state revenue so that PFML contributions and benefits both start on January 1, 2026. However, for the state to determine initial funding for the start of the program, employers will be required to file quarterly reports with the DEED effective July 1, 2025.

—[Read more about this development in EY Tax Alert 2023-1111](#)

Nevada's Modified Business Tax to decrease effective July 1, 2023

The Nevada Department of Taxation [announced](#) that because the state's Modified Business Tax (MBT) collected in the previous fiscal year exceeded the forecasted amount by 4%, the MBT rates will decrease proportionately, effective July 1, 2023.

—[Read more about this development in EY Tax Alert 2023-1142](#)

Bill watch (tracking the status of legislation proposed in 2023)

Alabama

HB 217	Status: Passed House and Senate, 6-6-2023.	Topic: Wages subject to state income tax
Would exempt overtime pay for hours worked over 40 hours per week from state income tax.		

Alabama

SB 65	Status: Read second time in House of Origin, 3-21-2023; indefinitely postponed, 5-31-2023 (legislature adjourned 6-14-2023) Bill did not pass before session adjournment	Topic: Local tax rate control, make clear local tax applies only for work carried on within the locality (convenience of the employer rule)
Would have done 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: Approved by Governor, May 1, 2023	Topic: Unemployment insurance tax rates
Changes the unemployment tax rate for new employers to 2.64% through 2026, increasing to 2.7% after 2026. Institutes 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 are subject to the assessment. The administrative assessment is not reported as contributions on the Form 940 and is repealed entirely effective January 1, 2027.		

Illinois

HB 3129	Status: Sent to Governor June 15, 2023. Becomes law automatically 60 days from June 15, 2023 (legislature adjourned May 26, 2023)	Topic: Equal Pay Act wage transparency
Would expand the state's current Equal Pay Registration Certificate process by requiring that Illinois employers with more than 15 employees include pay scale and benefits in all open job postings.		

Indiana

SB 419	Status: Approved by Governor, May 4, 2023 (See <i>EY Tax Alert</i> 2023-0871)	Topic: Nonresident income tax, de minimis exemption
Simplifies individual income tax filings and reduces employers' withholding and reporting burdens related to employees working less than 30 days in Indiana.		

Kansas

H.B. 2420	Status: Referred to House Committee on Taxation, 2-15-2023 (legislature adjourned) Bill did not pass before session adjournment	Topic: Nonresident income tax, de minimis exemption
Would have established 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 have been available only if the nonresident's work state offered a substantially similar 30-day threshold and related provisions.		

Maine

LD 1638	Status: (legislature adjourned June 21, 2023) Bill did not pass before session adjournment	Topic: State personal income tax rate decrease
Would have reduced the state's individual income tax rates for tax years 2023 and 2024 from 5.8%, 6.75% and 7.15% to 5.2%, 6.3% and 7.05%, respectively. Starting with the 2025 tax year, the rates would have been reduced to 5%, 6% and 7%, respectively.		

Maine

LD 1946	Status: Referred to Committee on Taxation voted Ought Not to Pass , 5-31-2023 (legislature adjourned June 21, 2023)	Topic: Expand the state personal middle income tax bracket
Would have, effective January 1, 2023, increased the taxable income subject to the 6.75% and 7.15% tax rates.		

Maryland

S.B. 828	Status: Approved by Governor, 5-3-2023 (See <i>EY Tax Alert</i> 2023-1029)	Topic: Paid family and medical leave insurance
Delays 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; prohibits a total contribution rate of more than 1.2% to be paid 50% by employers and employees; changes the definition of taxable wages.		

Minnesota

SF 2346	Status: Referred to Taxes, introduction and first reading, 3-1-2023 (legislature adjourned May 22, 2023) Bill did not pass before session adjournment	Topic: Nonresident income tax, de minimis exemption
Would have established 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 have been available only if the nonresident's work state offered 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 adjourned May 22, 2023) Bill did not pass before session adjournment	Topic: State personal income tax rate increase
Effective retroactive to January 1, 2023, would have established a new tax rate of 10.85% 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 have raised the income thresholds for the existing income tax brackets for all filers.		

Minnesota

HF 2	Status: Approved by Governor 5-25-2023 (See <i>EY Tax Alert</i> 2023-1111)	Topic: State paid family and medical leave insurance
Establishes a state paid family and medical insurance program with contributions and benefits beginning January 1, 2026, with employer quarterly wage detail reports starting July 1, 2025. The premium rate is 0.7% for an employer participating in both family and medical benefit programs; 0.4% for an employer participating in only the medical benefit program with an approved private plan for the family benefit program; and 0.3% for an employer participating in only the family benefit program with an approved private plan for the medical benefit program. Contributions are paid up to the Social Security wage limit; however, small employers pay at a lower wage limit based on number of employees. Employers may deduct up to 50% of the contributions from employees' wages.		

Minnesota

SF 3035	Status: Approved by Governor 5-24-2023 (See <i>EY Tax Alert</i> 2023-1088)	Topic: Earned sick and safe leave (ESSL)
Effective January 1, 2024, provides covered employees up to 48 hours of earned ESSL for a variety of purposes. The state earned sick and safe leave law does not preempt local ESSL laws.		

Montana

H.B. 447	Status: Approved by Governor, 5-18-2023 (See <i>EY Tax Alert</i> 2023-0919)	Topic: Nonresident income tax, de minimis exemption
Establishes 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 is adjourned) Bill did not pass before session adjournment	Topic: Nonresident income tax, convenience of the employer rule
Would only have imposed the convenience of the employer rule if the employee was present in Nebraska for more than 30 days in the tax year.		

Nebraska

L.B. 173	Status: Notice of hearing 2-23-2023 (legislature is adjourned) Bill did not pass before session adjournment	Topic: Nonresident income tax, de minimis exemption
Would have established a 30-day safe harbor before nonresident employees traveling into the state for work duties were subject to income tax in Nebraska and their employers to corresponding withholding obligations.		

Nebraska

L.B. 754	Status: Approved by Governor, 5-31-2023	Topic: Personal income tax decrease
Collapses the current personal income tax brackets to three and lowers the rates in stages over four years starting in 2024. By 2027, the personal income tax rate will be 2.46% for joint filers earning less than \$6,000 and 3.51% on income between \$6,000 and \$35,999. Taxpayers earning \$36,000 or higher will be taxed at a top rate of 3.99%, down from 6.64%.		

New Jersey

AB 4694/ SB 3128	Status: Passed the Assembly and the Senate, 6-30-2023 (legislature adjourns 12-31-2023)	Topic: Convenience of the employer rule
Would provide that if another state in which an employee resides imposes tax on the income of an employee who works out-of-state for an in-state employer due to the convenience of the employee, that same rule will apply to a person who works for a New Jersey employer but who resides and works outside of New Jersey at the employee’s convenience. This means that if an employee’s state of residence determines the source of income of nonresidents by a “convenience of the employer test,” and the employee works for a New Jersey employer from a location in the employee’s state of residence for the employee’s own convenience, then the New Jersey employer would be required to include those days as days worked in New Jersey and withhold income tax accordingly. See more details here .		

New York

SB 5572/AB 6796	Status: Passed the Assembly, 6-7-2023. Passed the Senate, 5-16-2023 (legislature adjourns 12-31-2023)	Topic: Salary threshold for exempt employees
Would raise the salary threshold for salaried-exempt employees from \$900 per week to \$1,300 per week.		

North Carolina

HB 490	Status: Referred to Committee on Finance, 3-28-2023 (legislature adjourns 8-31-2023)	Topic: Wages subject to state income tax
Would exempt certain bonuses and overtime pay for hours worked over 40 hours per week from state income tax.		

Pennsylvania (Philadelphia)

S.B. 671	Status: Referred to House finance, 5-5-2023 (legislature adjourns December 31, 2023)	Topic: Convenience of the employer rule
Would prohibit imposing the Philadelphia wage tax on nonresidents working for employers within the city if the employee performs all duties or services outside of the city and makes clear that the tax can only be imposed for services physically provided by nonresidents within the city.		

South Carolina

HB 3450	Status: Referred to Committee on House Ways and Means, 1-10-2023 (legislature adjourned 5-11-2023) Bill did not pass before session adjournment	Topic: Wages subject to state income tax
Would have exempted certain bonuses and overtime pay for hours worked over 40 hours per week from state income tax.		

Vermont

H. 217	Status: Passed by House and Senate, 5/12/2023, House and Senate overrode the Governor's veto, 6-20-22-2023	Topic: Payroll tax to fund child care
Requires that, effective July 1, 2024, employers pay a Child Care Contribution of 0.44% of covered wages (0.11% of self-employed income). Allows employers to withhold a maximum of 25% of the contribution from employees' wages.		

This month's insights

Delaware takes a unique approach to determining income tax withholding deposit due dates*

Generally, when determining the due date for income tax withholding deposits, taxing authorities set a withholding threshold for the respective lookback period. The income tax withholding threshold is generally fixed and legislation is required to change it. For example, federal income tax withholding must be remitted on a semiweekly basis in 2023 if the total income tax withholding was more than \$50,000 for the lookback period July 1, 2021 to June 30, 2022 ([IRS Publication 15](#), p. 27), while Connecticut requires that state income tax withholding be remitted weekly in 2023 if total income tax withholding is more than \$10,000 for the same lookback period ([Connecticut Circular CT](#), Pg. 13).

Delaware is unique because the income tax withholding thresholds for determining deposit due dates are indexed annually for inflation ([Delaware Employer's Guide; Annual Threshold Updates as Required by Delaware Law](#)).

Delaware income tax withholding deposit due date thresholds

Description	Calendar year 2022 threshold	Calendar year 2023 threshold
Amount of withholding in annual lookback period under which quarterly filings are specified.	\$5,070	\$5,530
Amount of withholding in annual lookback period between which monthly filings are specified.	\$5,070 & \$28,180	\$5,530 & \$30,740
Amount of withholding in annual lookback period over which 8th-monthly filings are specified.	\$28,180	\$30,740

Key takeaway



Even when using a third party to make payroll tax deposits, it is important to be familiar with the specific state (and local) payroll tax deposit requirements and review compliance at least annually.

*Source: *EY US Payroll Tax Factfinder*. For information on how to purchase [contact us](#).

View prior editions of *Payroll Month in Review*

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

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

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

Contact Employment Tax Advisory Services for more information

Kristie Lowery

kristie.lowery@ey.com

Ken Hausser

kenneth.hausser@ey.com

Debera Salam

debera.salam@ey.com

The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting or tax advice or opinion provided by Ernst & Young LLP to the reader. The reader is also cautioned that this material may not be applicable to, or suitable for, the reader's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The reader should contact his or her Ernst and Young LLP or other tax professional prior to taking any action based upon this information. Ernst & Young LLP assumes no obligation to inform the reader of any changes in tax laws or other factors that could affect the information contained herein. Copyright 2023. Ernst & Young LLP. All rights reserved. No part of this document may be reproduced, retransmitted, or otherwise redistributed in any form or by any means, electronic or mechanical, including by photocopying, facsimile transmission, recording, rekeying, or using any information storage and retrieval system, without written permission from Ernst & Young LLP.