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Top stories

Social Security wage base to increase in 2024

The Social Security wage base will increase from \$160,200 to \$168,600 in 2024, higher than the \$167,700 high-cost and low-cost estimate published in the 2023 *Annual Report of the Board of Trustees*. (See *EY Tax Alert 2023-0651*; [Social Security Administration Press Release](#).)

—[Read more about this development in EY Tax Alert 2023-1696](#)

IRS releases retirement plan limits for 2024; 401(k) pretax limit increases to \$23,000

The dollar limitations for retirement plans and certain other dollar limitations that become effective January 1, 2024, have been released by the IRS in [Notice 2023-75](#).

The dollar limitations adjusted by reference to IRC Section 415(d) are modified annually for inflation and, consequently, most of them are changed for 2024.

Of note, the 2024 pretax limit that applies to elective deferrals to IRC Section 401(k), 403(b) and 457(b) plans increased from \$22,500 to \$23,000. The dollar limitation for catch-up contributions for participants aged 50 or over remains at \$7,500.

—[Read more about this development in EY Tax Alert 2023-1825](#)

State unemployment insurance requirements for employee notices and workplace posters

Most states require that employers tell their employees about their potential eligibility for unemployment insurance benefits. There are two forms of communications that most states require—a notice to the employee at the time of separation and/or a poster placed in a conspicuous location in the workplace.

This special report, updated October 25, 2023, contains the results of our October 2023 survey of state workforce agency websites and includes links, if applicable, to the states' separation notice and workplace posters.

—[Download the latest report](#)

US employment tax rates and limits

Our 2023 edition of US employment tax rates and limits includes, as of October 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 allows certain employers to withdraw employee retention credit claims

The IRS announced ([IR-2023-193](#)) a process allowing certain employers to withdraw their employee retention credit (ERC) claims. Claims that are withdrawn will be treated as if they were never filed and will not be subject to penalties or interest.

On September 14, 2023, the IRS had announced that it was immediately pausing processing of new ERC claims through at least the end of the year due to continuing concerns over improper claims. (See *EY Tax Alert 2023-1561*.)

—[Read more about this development in EY Tax Alert 2023-1790](#)

IRS allows leave-based donations for Hawaii wildfires

In [Notice 2023-69](#), the IRS released guidance on the federal income and employment tax treatment of leave-based donation programs to aid the victims of the Hawaii wildfires that began on August 8, 2023.

Leave-based donation programs allow employees to forgo their accrued vacation, sick or personal leave in exchange for cash donations that the employer makes to charitable organizations.

—[Read more about this development in EY Tax Alert 2023-1634](#)

State income tax withholding

Colorado law requires employee notices about the earned income tax and other federal and state tax credits

Colorado has enacted [HB 12-1006](#), which requires that, effective for tax year 2023, employers provide a written annual notice to their employees about available federal and state tax credits, including:

- The Colorado [earned income tax credit](#)
- The federal [earned income tax credit](#)
- The Colorado [child tax credit](#)
- The federal [child tax credit](#)
- Any other information required in regulations issued by the Colorado Department of Revenue (Department)

—[Read more about this development in EY Tax Alert 2023-1737](#)

New Jersey Division of Taxation issues additional guidance on new convenience of the employer rule

In [additional guidance](#) on the state's new convenience of the employer rule, the New Jersey Division of Taxation (Division) has confirmed that wages earned by Connecticut residents while performing services from their Connecticut home offices for a New Jersey employer are exempt from New Jersey nonresident income tax.

The Division further explains that, while it expects that Connecticut will follow New Jersey's guidance, it recommends that employers and individual taxpayers look for formal guidance from Connecticut concerning an exemption from Connecticut nonresident income tax for New Jersey residents working from home for a Connecticut employer.

—[Read more about this development in EY Tax Alert 2023-1637](#)

Ohio Department of Taxation issues revised withholding tables effective November 1, 2023

The Ohio Department of Taxation (Department) has issued updated [percentage method](#), [optional computer method](#) and [withholding tables](#) for use with wages paid on and after November 1, 2023. The updates reflect legislation enacted this year that lowered personal income tax rates retroactive to January 1, 2023. (See *EY Tax Alert 2023-1372*.)

—[Read more about this development in EY Tax Alert 2023-1675](#)

North Carolina law gradually reduces personal income tax rates starting in 2024

Under [HB 259](#), enacted on October 3, 2023, without the signature of Governor Roy Cooper, the personal income tax rate is gradually reduced starting in 2024 until it reaches 3.99% in 2026.

—[Read more about this development in EY Tax Alert 2023-1685](#)

State unemployment insurance

Connecticut law eliminates additional SUI reporting requirements that were to go into effect third quarter 2024

Connecticut Governor Ned Lamont signed into law [SB 1091](#), which repeals the additional data reporting requirements required on the quarterly state unemployment (SUI) insurance return. The added quarterly reporting was to be phased in starting with the third quarter 2024 SUI return. SB 1091 also provides that beginning with the third quarter of 2026, employers may include on the quarterly SUI return (1) each employee's occupation and hours worked and (2) the employer's business mailing address and zip code. ([Summary of SB 1091](#).)

—[Read more about this development in EY Tax Alert 2023-1801](#)

Delaware law extends SUI tax rate relief to 2024, increases time to appeal SUI benefit determinations

[HB 236](#), signed into law by Delaware Governor John Carney, extends 2023's state unemployment insurance (SUI) tax relief to 2024. In addition, [HB 176](#) gives employers and claimants more time to appeal SUI benefit determinations.

—[Read more about this development in EY Tax Alert 2023-1813](#)

Local developments

Elizabethtown, Kentucky passes ordinance to increase its Occupational License Tax starting in 2024

The City of Elizabethtown, Kentucky [announced](#) that under [Ordinance No. 13-2023](#), effective January 1, 2024, its Occupational License Tax (OLT) will increase from 1.35% to 1.95% of taxable wages.

—[Read more about this development in EY Tax Alert 2023-1729](#)

Other payroll developments

Maryland provides guidance for on-demand pay products

The Maryland Office of Financial Regulation (OFR) issued [guidance](#) on Earned Wage Access (EWA) products, also known as "on-demand pay," clarifying when these products represent loans or wage advances and the requirements that apply to independent third-party EWA providers.

EWA is a relatively new financial product that allows employees to obtain an advance against wages they have already earned, but not yet received. Employers can offer EWA products directly to employees or consumers can access the service through independent third-party providers.

—[Read more about this development in EY Tax Alert 2023-1767](#)

Minnesota law prohibits inquiries into applicants' pay history starting in 2024

Effective January 1, 2024, Minnesota [SF 2909](#) prohibits inquiries into an applicant's current wage, salary, benefits or other compensation for purposes of determining the compensation that will be paid to the applicant. The law applies to employers, employment agencies and labor organizations doing business in Minnesota.

Minnesota joins 28 states and localities that currently impose a similar salary history ban. (*EY survey of state and local laws, August 2023.*)

—[Read more about this development in EY Tax Alert 2023-1774](#)

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

Alabama

HB 217	Status: Passed House and Senate, 6-6-2023. Became law 6-6-2023 (See <i>Tax Alert</i> 2023-1282)	Topic: Wages subject to state income tax
Exempts 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 (See <i>EY Tax Alert</i> 2023-1258)	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: Approved by Governor, August 11, 2023	Topic: Equal Pay Act wage transparency
Expands the state's current Equal Pay Registration Certificate process by requiring that Illinois employers with more than 15 employees include pay scale and benefits information 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 2023-1029</i>)	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 2023-1111</i>)	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 2023-1088</i>)	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 ESSL law does not preempt local ESSL laws.		

Montana

H.B. 447	Status: Approved by Governor, 5-18-2023 (See <i>EY Tax Alert 2023-0919</i>)	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 were 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 (See <i>EY Tax Alert 2023-1362</i>)	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.		

New Jersey

AB 4694/ SB 3128	Status: Approved by Governor, 7-21-2023 (See <i>EY Tax Alert 2023-1291</i>)	Topic: Convenience of the employer rule
Provides that, retroactive to January 1, 2023, 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 is required to include those days as days worked in New Jersey and withhold income tax accordingly.		

New York

SB 5572/AB 6796	Status: Approved by Governor, 9-15-2023	Topic: Salary threshold for exempt employees
Effective March 13, 2024 (180 days from September 15, 2023), raises New York State's salary threshold for salaried-exempt employees from \$900 per week to \$1,300 per week, indexed each year for inflation.		

North Carolina

HB 490	Status: Referred to Committee on Finance, 3-28-2023	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 (currently impacts 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, 6-20-2023 (See <i>EY Tax Alert 2023-1338</i>)	Topic: Payroll tax to fund childcare
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.		

Wisconsin

AB 386	Status: Passed by House and received by the Senate, 9-13-2023; passed Senate Joint Committee on Finance 9-26-2023	Topic: Personal income tax cut, retirement income exclusion
Would reduce the state's third income tax bracket from 5.3 to 4.4% and remove taxes on up to \$100,000 in retirement income (up to \$150,000 for married couples) from 401(k) and pension account distributions received by people age 67 or older. The bill faces a likely veto with insufficient votes in the Assembly to override it.		

This month's insights

Do not miss Missouri's Employer Compensation credit when depositing state income tax withholding

It is generally the rule that employers are required to remit to the state 100% of the income tax they withhold from wages. Missouri employers, however, can deduct an "Employer Compensation" credit from their withholding remittance. Essentially, Missouri compensates employers for withholding and timely remitting Missouri state income tax. (*RS MO Section 143.261; State of Missouri Employer's Tax Guide, p. 8.*)

Employers that remit their income tax withholding on or before the due date may deduct the allowable Employer Compensation credit on each withholding return filed. The Employer Compensation credit is computed as a percentage of the annual accumulative income tax withheld, as follows:

Employer Compensation percentage	Year-to date total withholding January-December
2%	\$0 to \$5,000
1%	\$5,001 to \$10,000
0.5%	In Excess of \$10,000

Example: Assume an employer's total Missouri income tax withholding for 2023 was \$100,000. As can be seen in the following chart, the total Employer Compensation credit for the year would be \$600, and the net withholding remittance for the year would be \$99,400 (assuming all withholding payments were made on or before the due date).

Employee Compensation %	Year-to date total withholding January-December	Employee Compensation credit
2%	On first \$5,000	\$100
1%	On the next \$5,000	\$ 50
0.5%	On the remaining \$90,000	\$450
Total credit for 2023		(\$600)
Net Missouri income tax withholding remittance for 2023		\$99,400

Key takeaways

Considering its cash-back advantage, Missouri employers should confirm that they, or their third-party payroll providers, are taking advantage of the Employer Compensation credit.

Employers claiming the Missouri Employer Compensation credit should confirm that they are correctly recording the cash back as income by reviewing the general ledger entries for remittances of Missouri income tax withholding.

Finally, employers should discuss with their employment or workforce tax advisors whether there are other employer credits in states where they operate. For instance, the [Missouri Works Program](#) offers employers an additional reduction in their state income tax withholding remittances for each new job created. (*State of Missouri Employer's Tax Guide, p. 8.*)

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