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[Don't miss this month's insights— Several states are attracting new residents through employer and employee tax incentives](#)

Top stories

Federal and state Form W-4 compliance

Now that most employees have filed their 2023 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 provides information employers need to know about federal and state Form W-4 compliance, with topics including:

- IRS Form W-4 regulations
 - Compliance with IRS lock-in letters
 - Federal Form W-4 top 10 tips
 - Federal Form W-4 frequently asked questions
 - Special instructions for US nonresident aliens
 - State Form W-4 compliance in 2024
 - 2024 State Form W-4 requirements survey
 - 2024 state Form W-4 requirements heat map
- [Download the latest report](#)

US employment tax rates and limits

Our 2024 edition of US employment tax rates and limits includes, as of February 25, 2024, the following:

- Social Security wage base for 2024
- Qualified pension plan limits for 2023 and 2024
- Health Savings Account limits for 2023 and 2024
- Fringe-benefit inflation adjustments and Form W-2 penalties for 2024
- Federal mileage rates and luxury vehicle limits for 2024

- Per diem rates under high-low substantiation method for 2024
- 2022 and 2023 FUTA credit reduction
- State unemployment insurance wage bases and tax rates for 2024
- Disability and paid family leave insurance wage base and rates for 2024
- Federal income tax withholding for 2024
- State income tax withholding tables, supplemental withholding, and the highest withholding tax rates for 2024

—[Download the latest report](#)

Federal developments

IRS clarifies that eligible work-life referral services are a nontaxable fringe benefit

The IRS has released frequently asked questions (FAQs) in [Fact Sheet 2024-13](#) clarifying that the value of certain work-life referral services provided by an employer to an employee can be excluded from gross income subject to federal income tax (FIT) and wages subject to (1) federal income tax withholding (FITW), (2) employer and employee Social Security/Medicare (FICA) and (3) federal unemployment insurance (FUTA).

—[Read more about this development in EY Tax Alert 2024-0815](#)

Employers receiving name/TIN mismatches during ACA AIR transmission should put a system in place to avoid or mitigate potential IRS penalties

In our experience most employers receive error messages when they transmit their Affordable Care Act (ACA) information through the IRS's ACA Information Reporting (AIR) System. One of the most common reasons employers receive errors is because the name and tax identification number (TIN) or social security number (SSN) of an employee or dependent does not match the information in the IRS's database. These filing errors could trigger assessment of accuracy-related penalties, as they do with other IRS transmissions.

To help avoid or mitigate these potential penalties, employers should put in place a system that both minimizes name/TIN mismatch errors and also allows them to assert a "reasonable cause" defense if penalties are assessed.

—[Read more about this development in EY Tax Alert 2024-0644](#)

State income tax withholding

Georgia legislation lowers personal income tax rate and raises dependent exemption retroactive to January 1, 2024

On April 18, 2024, Georgia Governor Brian Kemp [approved HB 1015](#) and [HB 1021](#), which, retroactive to January 1, 2024, reduce the personal income tax rate and raise the dependent exemption.

—[Read more about this development in EY Tax Alert 2024-0841](#)

State unemployment, disability and paid family and medical leave insurance

Vermont voluntary paid family and medical leave insurance program will provide benefits effective July 1, 2024

After the recent enactment of [Act 34](#), Section 202.3 (HB 1300), which is effective retroactive to January 1, 2023, for certain employees, Vermont Governor Phill Scott [announced](#) that the state's voluntary Family and Medical Leave Insurance (FMLI) program was open to employers with two or more employees as of February 15, 2024. Benefits will be available to participating employees starting July 1, 2024. This program is provided exclusively through [The Hartford](#).

—[Read more about this development in EY Tax Alert 2024-0882](#)

Local tax

Multnomah County, Oregon amends law governing the Preschool for All personal income tax

The Multnomah County Board of Commissioners adopted amendments under Ordinance 1321 which, effective January 18, 2024, modify some of the rules governing its "Preschool for All" personal income tax.

—[Read more about this development in EY Tax Alert 2024-0803](#)

Pennsylvania law excludes dependent care assistance

Effective retroactive to January 1, 2023, Pennsylvania [Act 34](#) excludes up to \$5,000 per year of benefits under an IRC Section 129 dependent care assistance program from Pennsylvania state income tax and withholding. The dependent care assistance exclusion also applies to most local payroll taxes.

—[Read more about this development in EY Tax Alert 2024-0795](#)

Bill watch (tracking the status of legislation proposed in 2024)

Alabama

HB 407	Status: Delivered to Governor (5/7/2024)	Topic: Personal income tax on overtime pay
Would exempt overtime payments made under the Fair Labor Standards Act from state personal income tax from January 1, 2025 to June 30, 2025.		

Georgia

HB 1015	Status: Signed into law 4-18-2024	Topic: Personal income tax rates
Retroactive to January 1, 2024, lowers the personal income tax rate from 5.49% to 5.39%. Effective January 1, 2025, reduces the tax rate by 0.10% annually if certain revenue benchmarks are met until the rate reaches 4.99%. Note that although the tax rate applies for the entire 2024 tax year, it does go into effect until July 1, 2024.		

Illinois

SB 2981	Status: Introduced (1-31-2024)	Topic: Personal income tax on overtime pay
Would, effective immediately, create a deduction of the amount of any overtime wages paid to the taxpayer during the tax year.		

Iowa

HF 2638	Status: Passed House, submitted to Senate subcommittee (4-2-2024)	Topic: Taxation of nonqualified deferred comp
Would exclude nonqualified deferred compensation income from individual income tax retroactive to January 1, 2023.		

Iowa

SF 2442	Status: Signed into law 5-1-2024	Topic: Personal income tax rate
Accelerates the personal income tax rate reduction from 3.9% to 3.8% starting in 2025, rather than in 2026.		

Kansas

HB 2036	Status: Governor vetoed (4-25-2024) The Governor has proposed an alternate tax plan.	Topic: Income tax rate
Would have reduced the state's income tax brackets from three to two for tax year 2024 and thereafter. The state's current income tax rates of 3.1%, 5.25% and 5.7% would have been reduced to 5.15% and 5.55% for single and joint filers.		

Kansas

HB 2284	Status: Governor vetoed (1-29-2024) Veto sustained (2-20-2024)	Topic: Income tax rate
Would have, among other things, implemented a flat tax of 5.25%, exempted Social Security benefits from state income tax and increased the standard deduction by a cost-of-living adjustment.		

Kansas

HB 2420	Status: Introduced to the House Committee on Taxation (2-15-2024)	Topic: Nonresident income tax, de minimis exception
Would exempt nonresident employees performing work in Kansas from income tax for the first 30 days.		

Maine

LD 1231	Status: Maine legislature was unable to overcome the Governor's veto	Topic: Personal income tax
Effective January 1, 2025, would have created three additional tax brackets to increase taxes paid by high-income earners.		

Mississippi

HB 224	Status: Died in Ways and Means Committee (3-27-2024)	Topic: Personal income tax on overtime pay
Would have excluded overtime compensation from gross income effective January 1, 2024.		

Missouri

HB 2315	Status: Read second time (1-9-2024)	Topic: Personal income tax on overtime pay
Would authorize an income tax subtraction for work in excess of 40 hours in the workweek.		

New Jersey

AB 2621	Status: Referred to Assembly Labor Committee (1-9-2024)	Topic: Personal income tax on overtime pay
Would exclude the overtime pay of certain employees from gross income tax.		

Ohio, Cincinnati

A Vision for the Future of Cincinnati p. 67	Status: The Cincinnati Futures Commission recommended a modest hike in the city's earnings (1-9-2024)	Topic: City earnings tax
Recommends a 0.15% increase to the City's earnings tax, bringing the adjusted rate to 1.95%		

South Carolina

HB 4811	Status: Referred to Committee on Ways and Means (1-10-2024)	Topic: Personal income tax on overtime pay
Would exclude overtime income from personal income tax.		

Wisconsin

AB 938	Status: Failed to pass in the Senate (4-15-2024)	Topic: Personal income tax on overtime pay
Would have excluded overtime income and certain bonuses from personal income tax.		

West Virginia

HB 5296	Status: Sent to House Finance Committee (1-29-2024)	Topic: Personal income tax on overtime pay
Would exclude overtime income from personal income tax for three years.		

This month's insights

Several states are attracting new residents through employer and employee tax incentives

Following the COVID-19 emergency and a related uptake in remote work, several states and cities have implemented tax incentive programs to attract employees to their states.

Businesses should review the states and cities where they employ workers to determine if any tax incentives apply.

Following is a sample of some of these programs.

- Louisiana. [SB 157](#), enacted in 2021, provides a Louisiana income tax exemption of 50% of gross wages up to \$150,000 to qualifying remote workers (referred to as "digital nomads") who establish residency within the state after December 31, 2021. This exemption applies for a period of up to two years from 2022 through 2025 and only to those wages earned from remote work. (See *Tax Alert* [2021-1346](#).)
- Nebraska. Nebraska [LB1023](#) provides a tax incentive for both employers and employees when employment is accepted within the state. The program starts January 1, 2025.
- New Jersey. [A. 4694](#), enacted in 2023, creates a pilot program administered by the Economic Development Authority to provide grants to businesses that assign New Jersey resident employees to New Jersey locations. A business is eligible to apply if the business has 25 or more full-time employees and is principally located outside of New Jersey. The cap for all grants per fiscal year is \$35 million and all grant applications must be filed on or before July 1, 2028. (See *Tax Alert* [2023-1291](#).)
- Vermont. Employees who have recently moved, or plan to move to Vermont, may still be eligible for a relocation expense reimbursement grant of up to \$7,500 through the state's "ThinkVermont" [Worker Relocation Incentive](#) program. (See *Tax Alert* [2023-1271](#).)
- West Virginia. "[Ascend WestVirginia](#)" offers an incentive of \$12,000 and one year of free outdoor recreation to remote workers moving to the state. Additionally, as an incentive to employers, tax reforms were made under H.B. 2026 (2021) which, effective January 1, 2022, exempt from nonresident income tax any income from employment within the state for 30 or fewer days in the year. (See *Tax Alert* [2021-0799](#).)
- Cities. Some cities also offer cash incentives to attract remote workers: [Shoals area, Alabama](#); [Topeka, Kansas](#); and [Tulsa, Oklahoma](#).

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