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Don't miss this month's insights— [State law may restrict wage deductions for advances and overpayments](#)

Top stories

Report on state unemployment insurance requirements for employee notices and workplace posters updated through June 2024

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: (1) a notice to the employee at the time of separation and/or (2) a poster placed in a conspicuous location in the workplace.

Our special report includes the results of our May 2024 survey of state workforce agency websites and includes links, if applicable, to the states' requirements for unemployment insurance employee separation notices and workplace posters.

—[Download the latest report](#)

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

Social Security Administration publishes wage base projections for 2025 through 2033

For those responsible for employment tax budgets, or just curious what the future may hold, the Social Security Administration has published the estimated Social Security wage-base limits for employers and employees for calendar years 2025 through 2033. ([Social Security Administration press release](#), 5-6-2024; [The 2024 OASDI Trustees Report, Table V.C.1 \(pg.122.\)](#))

—[Read more about in in Tax Alert 2024-0936](#)

Preparing US immigration/global mobility program for potential policy and process shifts

As we approach the US federal elections this November, it is a good time for companies to take stock of their US immigration and/or global mobility programs, refresh processes where appropriate, improve program efficiencies and operations and take actions to best prepare for any potential future changes in the immigration landscape. To support the overall stability of any foreign worker program, it is essential for businesses to stay abreast of legislative and regulatory updates and consult with immigration specialists to develop flexible strategies to best prepare to navigate a potentially changing immigration policy landscape.

—[Read more about in in Tax Alert 2024-1036](#)

State income tax withholding

Arizona law extends voluntary withholding option to more pension plan participants

Arizona Governor Katie Hobbs signed into law [SB 1358](#), which allows participants of most qualified pension and annuity plans to request voluntary state income tax withholding from nonperiodic and lump-sum distributions provided the payments are included in Arizona gross income. Prior law allowed voluntary income tax withholding only from regularly-scheduled payments from qualified pension and annuity plans.

—[Read more about this development in EY Tax Alert 2024-1089](#)

Iowa law implements flat personal income tax and increases Targeted Jobs Withholding Credit effective January 1, 2025

On May 1, 2024, Iowa Governor Kim Reynolds approved [SF 2442](#), which, effective January 1, 2025, collapses the personal income tax brackets from three to a single tax rate of 3.8%. Alternative tax computation methods apply to a married person filing jointly, head of household or surviving spouse. [HF 2317](#), enacted in 2022, would have gradually reduced the personal income tax over four years until it reached 3.9% in 2026. SF 2442 accelerates to 2025 the lowest income tax rate and reduces it from 3.9% to 3.8%. SF 2442 also extends the state's Targeted Jobs Withholding Credit (TJWC) and increases the qualifying investment for businesses to participate.

—[Read more about this development in EY Tax Alert 2024-0932](#)

Iowa Department of Revenue revises income tax withholding instructions for 2024

Due to changes in Iowa tax law, the Iowa Department of Revenue (DOR) **instructed** employers to encourage their employees to provide an updated [2024 IA W-4, Employee Withholding Allowance Certificate](#). For employees who have not submitted a 2024 IA W-4, the DOR instructed employers to use \$40 as the total allowance amount and \$0 additional withholding when computing Iowa income tax withholding for wages paid in calendar year 2024. Now the DOR has updated this guidance.

—[Read more about this development in EY Tax Alert 2024-1101](#)

Nebraska law modifies nonresident income tax rules and provides relocation tax incentives for employers and employees

On April 25, 2025, Nebraska Governor Jim Pillen approved [LB1023](#), which, effective January 1, 2025, amends the rules governing when nonresident compensation is included in Nebraska income subject to income tax and expands on the state's current [ImagiNE](#) program by providing a relocation tax incentive to employers and employees.

—[Read more about this development in EY Tax Alert 2024-0967](#)

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

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 not 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: Failed to pass before legislature adjourned 4-20-2024	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. A special session has been called for 6-18-2024 to consider a tax cut 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: Died in House committee (4-30-2024)	Topic: Nonresident income tax, de minimis exception
Would exempt nonresident employees performing work in Kansas from income tax for the first 30 days.		

Kentucky

HB 537	Status: Referred to House Committee (2-14-2024)	Topic: Bereavement leave
Effective 90 days after the legislature adjourns, would require that employers provide up to 10 days of bereavement leave (with a minimum of three days paid) following the death, miscarriage or stillbirth of the employee's child or the death of a dependent of other immediate family member of the employee.		

Maine

LD 1231	Status: Maine legislature unable to overcome 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: Failed to pass before legislature adjourned 5-30-2024	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.		

New Jersey

AB 3816	Status: Introduced, referred to Assembly Labor Committee (2-22-2024)	Topic: Bereavement leave
Effective immediately, would expand the current family and medical leave law to include leave due to death of a child or the miscarriage or stillbirth of a child.		

Ohio, Cincinnati

A Vision for the Future of Cincinnati p. 67	Status: The Cincinnati Futures Commission recommended modest hike in 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%		

Pennsylvania

H.B. 181	Status: Laid on the table for later consideration (4-17-2024)	Topic: State paid family and medical leave insurance
Effective 180 days after enactment, would establish a state paid family and medical leave insurance program with contributions, yet to be determined, to be paid 50% by employers and 50% by employees (employers with fewer than 15 employees are not subject to the 50% contribution amount).		

Rhode Island

S. 2355	Status: Scheduled for hearing and/or consideration (5/30/2024)	Topic: Personal income tax
Effective January 1, 2026, would impose a personal income tax surtax of 3% on taxable income over \$1 million.		

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 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: Failed to pass before legislature adjourned 3-9-2024	Topic: Personal income tax on overtime pay
Would exclude overtime income from personal income tax for three years.		

This month's insights

State law may restrict wage deductions for advances and overpayments

Before employers choose to deduct employee wage advances or overpayments from future pay checks, it is important that they discuss with their wage-hour advisors the state and local wage-hour laws that place restrictions on these wage deductions. Many states, for instance, require that employees provide written authorization for wage deductions and wage-hour advisors can assist with developing appropriate templates for this purpose. In addition, some states prohibit deductions that put the employee's pay below minimum wage, limit the deduction to a percentage of earnings or disposable pay or disallow the deduction after a lapse in time from discovering the wage payment error. Below is a sample of these provisions as of May 31, 2024.

For more information see [our special report](#).

Sample of state provisions governing wage deductions for salary advances/overpayments

State	Limitations on repayment of wage advances/overpayments	Reference
Arizona	Employee written authorization required for wage deductions. Recoupment of wages not allowed if there is a reasonable good faith dispute about the wage repayment amount.	ARS §23-352. Withholding of wages
California	Employee written authorization required for wage deductions. There have also been adverse rulings involving an employer's erroneous deduction from current wages for past salary advances.	California Department of Industrial Relations website
Connecticut	Employee wage deductions for wage repayments must be approved in writing by the employee on a form approved by the Commissioner.	Connecticut General Statutes, Title 31, § 31-71e
Delaware	<p>In the case of a cash advance, the employer and employee must sign a written agreement specifying the amount of the advance or the value of the goods or services, the repayment schedule and the method of repayment.</p> <p>A cash advance repayment agreement may not cause a wage deduction of more than 15% of the employee's gross wages for the payroll period. If the amount is still owed at termination, an amount exceeding 15% can be deducted from final pay but only if included in the original repayment agreement.</p>	Delaware Secretary of Labor, rules and regulations governing deductions from wages
Illinois	<p>The employee and employer must agree, in writing, to the cash advance repayment. A cash advance repayment agreement may not cause a wage deduction of more than 15% of the employee's gross wages for the payroll period. If the amount is still owed at termination, an amount exceeding 15% can be deducted from final pay but only if included in the original repayment agreement.</p> <p>The employee and employer must agree to wage deductions from future wages for wage overpayments. If the employee does not agree, the employer must obtain consent for the wage deduction from the Illinois Department of Labor.</p>	Illinois Department of Labor website

View prior editions of *Payroll Month in Review*

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