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Don't miss this month's insights— [Notify employees about 2025 state income tax changes](#)

## Top stories

### 2025 state supplemental, flat tax and highest income tax withholding rates with hyperlinks to the latest withholding tables/instructions

To assist you in reviewing your state and US territory income tax withholding rates for 2025, the chart provided in the attached PDF contains hyperlinks to the most recent (1) income tax withholding formulas/tables published by the states and US territories, (2) information concerning their respective highest income tax withholding rates (based on their percentage method of withholding) or flat tax withholding rates, and (3) their supplemental withholding rates, if applicable.

[Read more about it in Tax Alert 2025-0150](#)

### 2025 state unemployment insurance taxable wages

A list of the 2025 state unemployment insurance wage bases is available [here](#).

### Report on state unemployment insurance requirements for employee notices and workplace posters

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 September 3, 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

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](#)

## State income tax withholding

Hawaii law lowers personal income tax liabilities for taxpayers by adjusting the standard deduction and tax bracket income limits

Hawaii Governor Josh Green signed into law [H.B. 2404](#), which increases the standard deduction every two years through 2031 and raises the income tax limits that apply to the income tax brackets in tax years 2025, 2027 and 2029. The income tax withholding formula and withholding tables will first be adjusted to reflect the law change for tax year 2025 (no withholding changes apply to tax year 2024).

—[Read more about it in Tax Alert 2024-2325](#)

Missouri lowers top personal income tax rate effective January 1, 2025

Missouri Governor Michael L. Parson [announced](#) that effective January 1, 2025, the top personal income tax rate is to be lowered from 4.8% to 4.7%. This decrease is the result of legislation enacted in 2022 under [SB 3](#) and [SB 5](#), which allow for a potential decrease of 0.1% for each year that revenue goals are met until the top tax rate reaches 4.5%.

—[Read more about it in Tax Alert 2024-2158](#)

Louisiana law implements flat personal income tax rate starting in 2025

On December 4, 2024, Louisiana Governor Jeff Landry signed into law [H.B. 10](#), which, effective January 1, 2025, significantly changes the personal income tax system by replacing the existing three income tax brackets, with tax rates ranging from 1.85% to 4.25%, to a flat tax rate of 3% for all filers.

—[Read more about it in Tax Alert 2024-2322](#)

## State unemployment and other social insurance

2025 state disability, paid family and medical leave and long-term care insurance wage base and rates

Six jurisdictions (California, Hawaii, New Jersey, New York, Puerto Rico and Rhode Island) operate state disability insurance (SDI) programs. Another 16 jurisdictions (California, Connecticut, Colorado, Delaware,

District of Columbia, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, New Jersey, New York, Oregon, Rhode Island, Vermont and Washington) now have, or soon will have, paid family and medical leave (PFML) insurance programs. Washington is currently the only jurisdiction with a long-term care (LTC) insurance program. The chart in the Tax Alert shows the state SDI, PFML and LTC rates and taxable wage limits for 2025 based on information currently available.

—[Read more about it in Tax Alert 2024-2362](#)

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

Federal

<a href="#">H.R. 10026</a>	Status: Introduced to the House Judiciary Committee (10-22-2024)	Topic: Multi-State Worker Tax Fairness Act
Would establish a uniform standard for taxing income based on physical presence in a state – remote workers would not be subject to state nonresident income tax on wages earned while not physically present in that state.		

Georgia

<a href="#">HB 1015</a>	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%. Although the tax rate applies for the entire 2024 tax year, it did not go into effect until July 1, 2024.		

Illinois

<a href="#">SB 2981</a>	Status: Failed to pass before legislature adjourned on 5-29-2024	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

<a href="#">HF 2638</a>	Status: Failed to pass before legislature adjourned on 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

<a href="#">SF 2442</a>	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

<a href="#">SB 1</a>	Status: Signed into law 6-20-2024	Topic: Personal income tax rate
Retroactive to January 1, 2024, establishes a two-bracket income tax with tax rates of 5.2% and 5.58%. The previous three-bracket income tax rates were 3.1%, 5.2% and 5.7%.		

Kansas

<a href="#">HB 2284</a>	Status: <b>Governor vetoed (1-29-2024)</b> <b>Veto sustained (2-20-2024)</b>	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

<a href="#">HB 2420</a>	Status: <b>Died in House committee (4-30-2024)</b>	Topic: Nonresident income tax, de minimis exception
Would exempt nonresident employees performing work in Kansas from income tax for the first 30 days.		

Kentucky

<a href="#">HB 537</a>	Status: <b>Failed to pass before legislature adjourned on 4-14-2024</b>	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 or other immediate family member of the employee.		

Louisiana

<a href="#">H.B. 10</a>	Status: <b>Signed into law 12-4-2024</b>	Topic: Personal income tax
Effective January 1, 2025, taxes individual income at a flat 3%, repeals certain personal exemptions and net capital gains deductions, allows bonus depreciation retroactively for certain capital investments, and increases the retirement income tax exemption from \$6,000 to \$12,000.		

Maine

<a href="#">LD 1231</a>	Status: <b>Maine legislature unable to overcome Governor's veto</b>	Topic: Personal income tax
Effective January 1, 2025, would have created three additional tax brackets to increase taxes paid by high-income earners.		

Mississippi

<a href="#">HB 224</a>	Status: <b>Died in Ways and Means Committee (3-27-2024)</b>	Topic: Personal income tax on overtime pay
Would exclude overtime compensation from gross income effective January 1, 2024.		

Missouri

<a href="#">HB 2315</a>	Status: <b>Failed to pass before legislature adjourned on 5-30-2024</b>	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

<a href="#">AB 2621</a>	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

<a href="#">AB 3816</a>	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 the death of a child or the miscarriage or stillbirth of a child.		

New Jersey

<a href="#">S 2310</a>	Status: <b>Enacted into law (11-18-2024)</b>	Topic: Pay transparency
Effective six months after enactment, requires transparency concerning compensation with promotional opportunities and in employment listings.		

Ohio

<a href="#">H.B. 682</a>	Status: Referred to House committee on Ways and Means (11-12-2024)	Topic: Business tax credit for certain paid leave benefits
Would make employers that offer a minimum of 56 days of parental leave for employees who experience a birth or still birth, or who adopt a child, eligible for a nonrefundable tax credit in the same year that benefits are paid out.		

Oklahoma

<a href="#">S.B. 1</a>	Status: 2025 bill pre-filed by the House (11-15-2024)	Topic: State personal income tax
Effective January 1, 2025, would reduce the state's graduated income tax rates by 0.25% if revenue collections exceed an itemized estimate of \$400 million.		

Pennsylvania

<a href="#">H.B. 2388</a>	Status: <b>Failed to pass before legislature adjourned on 11-14-2024</b>	Topic: State personal income tax
Effective July 1, 2024, would reduce the personal income tax rate from 3.07% to 2.8%.		

Pennsylvania

<a href="#">H.B. 181</a>	Status: <b>Failed to pass before legislature adjourned on 11-14-2024</b>	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

<a href="#">S. 2355</a>	Status: <b>Failed to pass before legislature adjourned on 6-14-2024</b>	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

<a href="#">HB 4811</a>	Status: <b>Failed to pass before legislature adjourned on 5-9-2024</b>	Topic: Personal income tax on overtime pay
Would exclude overtime income from personal income tax.		

#### Wisconsin

<a href="#">AB 938</a>	Status: <b>Failed to pass in Senate (4-15-2024)</b>	Topic: Personal income tax on overtime pay
Would exclude overtime income and certain bonuses from personal income tax.		

#### West Virginia

<a href="#">HB 5296</a>	Status: <b>Failed to pass before legislature adjourned on 3-9-2024</b>	Topic: Personal income tax on overtime pay
Would exclude overtime income from personal income tax for three years.		

#### West Virginia

<a href="#">S.B. 2033</a>	Status: <b>Signed into law 10-29-2024</b>	Topic: Personal income tax rates
Reduces the highest personal income tax rate from 5.12% to 4.67%.		

### This month's insights

## Notify employees about 2025 state income tax rate changes

A number of states enacted legislation that lowers the state income tax rate, or substantially changes other income tax factors, effective January 1, 2025. For the states below, employers should consider providing employees with a special information notice and encourage them to review their state withholding allowance certificates considering these state income tax changes.

#### Hawaii:

[H.B. 2404](#) increases the standard deduction every two years through 2031 and raises the income tax limits that apply to income tax brackets in 2025, 2027 and 2029.

Employees can revise their withholding allowances using [Form HW-4](#).

#### Indiana:

[H.B. 1001](#), enacted in 2023, lowers the tax rate to 3.0% for 2025 with additional tax cuts each year until the rate reaches 2.90% in 2027.

Employees can revise their withholding allowances using [Form WH-4](#).

#### Iowa:

HF [2317](#), enacted in 2024, implements a flat tax income tax rate of 3.8% effective November 1, 2025.

Employees can revise their withholding allowances using [Form IA W-4](#).

Louisiana:

Effective November 1, 2025, [H.B. 10](#) replaces the previous graduated tax rate system with a flat tax of 3% for all filers and the withholding rate is [3.09%](#). The standard deduction is also increased and will be indexed for inflation starting in 2026.

Employees can revise their withholding allowances using [Form L-4](#).

Mississippi:

[HB 531](#) moved the state to a flat tax, effective November 1, 2023. The flat tax is lowered to 4.4% in 2025 and 4.0% in 2026.

Employees can revise their withholding allowances using [Form 89-350](#).

Missouri:

Missouri Governor Michael L. Parson [announced](#) that effective January 1, 2025, the top personal income tax rate is lowered from 4.8% to 4.7%. This decrease is the result of legislation enacted in 2022 under [SB 3](#) and [SB 5](#), which allow for a potential decrease of 0.1% for each year that revenue goals are met until the top tax rate reaches 4.5%.

Employees can revise their withholding allowances using [Form MO W-4](#).

Nebraska:

The highest income tax rate is [5.2%](#) for 2025. Under [LB 754](#), enacted in 2023, the tax rates decrease each year through 2027.

Employees can revise their withholding allowances using [Form W-4N](#).

North Carolina:

Under [HB 259](#), enacted in 2023, the personal income tax rate is gradually reduced starting in 2024 until it reaches 3.99% in 2026. For 2025, the tax rate is lowered from 4.5% to 4.25%.

Employees can revise their withholding allowances using [Form NC-4](#).

West Virginia:

[SB 2033](#) reduced the personal income tax rate by an additional 2% effective January 1, 2025. Future rate reductions of not more than 10% apply if revenue goals are met.

Employees can revise their withholding allowances using [Form IT-104](#).

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