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Don't miss this month's insights— *Consideration of state law differences when reporting overtime pay eligible for deduction under the OBBBA*

Special reports

Federal and state Form W-4 compliance

Our special report, updated in May 2025, provides information that employers need to know about federal and state Form W-4 compliance, with topics including:

- IRS Form W-4 regulations
 - IRS lock-in letters compliance
 - 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 2025
 - 2025 State Form W-4 requirements survey
 - 2025 state Form W-4 requirements heat map
- [Download the latest report](#)

US employment tax rates and limits

Our 2025 edition of US employment tax rates and limits includes, as of March 25, 2025, the following:

- Social Security wage base for 2025
- Qualified pension plan limits for 2024 and 2025
- Health Savings Account limits for 2024 and 2025
- Fringe-benefit inflation adjustments and Form W-2 penalties for 2025
- Federal mileage rates and luxury vehicle limits for 2025
- Per diem rates under high-low substantiation method for 2025
- 2023 and 2024 FUTA credit reduction
- State unemployment insurance wage bases and tax rates for 2025
- Disability and paid family leave insurance wage base and rates for 2025

- Federal income tax withholding for 2025
- State income tax withholding tables, supplemental withholding and highest withholding tax rates for 2025

—[Download the latest report](#)

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

IRS releases per diem rates under the high-low substantiation method effective October 1, 2025
In Notice 2025-54, the IRS released the per diem reimbursement rates that apply effective October 1, 2025 (or, optionally, January 1, 2026). The per diem reimbursement rate is \$319 for high-cost areas and \$225 for low-cost areas, both unchanged from 2024.

—[Read more about this development in Tax Alert 2025-1962](#)

Proposed regulations would clarify tips qualifying for deduction, confirm list of qualifying occupations

The Treasury Department and IRS released proposed regulations (REG-110032-25) with guidance on the new federal deduction for tips, which was enacted in the "One Big Beautiful Bill Act" (P.L. 119-21, OBBBA) for tax years 2025 through 2028. The proposed regulations define "qualified tips" for purposes of the deduction and list the qualifying occupations.

—[Read more about this development in Tax Alert 2025-1907](#)

State income tax withholding

Ohio Department of Taxation issues revised withholding tables effective October 1, 2025
The Ohio Department of Taxation has issued updated percentage method, optional computer method and withholding tables for use with wages paid on and after October 1, 2025. The updates reflect legislation enacted this year that lowered personal income tax rates retroactive to January 1, 2025.

—[Read more about this development in Tax Alert 2025-1929](#)

Puerto Rico Treasury Department issues guidance on adoption of amendments by qualified retirement plans to comply with SECURE 2.0 Act

In Administrative Determination (AD) 25-03, the Puerto Rico Treasury Department issued guidance on the adoption of amendments by qualified retirement plans to comply with the SECURE Act 2.0 Act of 2022 (SECURE 2.0 Act). AD 25-03 streamlines the compliance process for Puerto Rico retirement plans by not requiring those plans to request a new qualification letter for SECURE 2.0 Act amendments.

—[Read more about this development in Tax Alert 2025-1854](#)

State unemployment insurance

Oregon law provides one-time 2025 SUI tax credit for certain employers

On July 24, 2025, Oregon Governor Tina Kotek signed into law [H.B. 2271](#), which provides certain Oregon employers with a nonrefundable tax credit against their state unemployment insurance (SUI) tax liability for calendar year 2025. The credit amount is the lesser of \$5,000 or the employer's total SUI taxes due for 2025. Tax credits less than \$100 in any calendar year are not allowed.

—[Read more about this development in Tax Alert 2025-1830](#)

Bill watch (tracking the status of legislation proposed in January through July 2025)

All state legislatures have ended for the year except for: Delaware (special session), California, Massachusetts, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania and Wisconsin.

Federal

S. 1443	Status: Referred to Committee on Finance (4-10-2025)	Topic: Mobile Workforce State Income Tax Simplification Act of 2025
For state income tax and withholding purposes, would provide a 30-day safe harbor for employees who travel across state borders for temporary periods to perform work duties.		

Federal

HR 1959	Status: Sent to Committee on Ways and Means (3-6-2025)	Topic: Federal unemployment insurance
Would relieve employers from an increase in their federal unemployment insurance taxes (FUTA) resulting from the state carrying an unpaid FUTA loan.		

Alabama

HB 467	Status: Introduced in House and referred to House Ways and Means Education Committee (3-20-2025) Legislature no longer in session	Topic: No tax on overtime pay
Effective upon enactment, would remove the June 30, 2025, sunset date for excluding overtime pay from Alabama state income tax.		

Alabama

HB 259	Status: Pending in House Ways and Means Education Committee (2-11-2025) Legislature no longer in session	Topic: Relocation tax incentive
Effective October 1, 2025, would provide employees who relocate to or work remotely for employers in certain counties within Alabama a state income tax credit.		

Alabama

HB 379	Status: Became law (5-14-2025)	Topic: Nonresident income tax
Effective January 1, 2026, exempts remote workers from nonresident income tax if they are present within the state for 30 or fewer days in the calendar year.		

Arizona

HB 2081	Status: Passed House (2-10-2025); second reading in Senate (2-25-2025) Legislature no longer in session	Topic: No tax on tips
Effective January 1, 2025, would allow a deduction from Arizona gross earnings for tips.		

Arkansas

HB 1116	Status: Died in House Committee (5-5-2025) Legislature no longer in session	Topic: Nonresident income tax
Effective January 1, 2026, would not require employers to withhold Arkansas nonresident income if the employee works in Arkansas for less than 15 days in the calendar year and the employee's resident state has a similar provision.		

Colorado

Ballot initiative 119	Status: To be included on November 2026 ballot	Topic: No tax on tips or overtime pay
Effective January 1, 2025, would adopt the federal deduction for overtime pay and tips.		

Colorado

Ballot initiatives 145 , 146 and 147	Status: To be included on November 2026 ballot	Topic: State income tax
Effective January 1, 2027, would move from a flat personal income tax to a graduated income tax.		

Connecticut

SB 1369	Status: Referred to House Committee on Finance, Revenue and Bonding (3-13-2025) Legislature no longer in session	Topic: New state payroll tax
Effective January 1, 2026, would create a new 1.5% payroll tax to fund the Workforce Child Care Fund, which would provide direct financial assistance to families and childcare providers.		

Connecticut

S.B. 1558	Status: Became law (6-23-2025)	Topic: Convenience of the employer rule
Effective retroactive to January 1, 2020, provides a 60% tax credit to any resident who successfully challenges another state's convenience of the employer rule. S.B. 1558 is modeled after New Jersey's convenience of the employer challenge law, which provides a credit to residents who successfully sue other states for wrongfully collecting income tax on work performed in New Jersey, particularly residents who paid New York state income taxes after working remotely for companies based in New York City.		

Georgia

HB 111	Status: Became law (4-15-2025)	Topic: State income tax
Retroactive to January 1, 2025, reduces the state's income tax rate of 5.29% to 5.19% and decreases rates by 10 basis points, or 0.1%, annually, starting in 2026 until the rate reaches 4.99%.		

Hawaii

HB 283	Status: Referred to Committee (1-21-2025) Legislature no longer in session	Topic: State income tax
Effective January 1, 2026, would eliminate the state's income tax.		

Hawaii

SB 1470	Status: Became law 4-24-2025	Topic: State income tax
Effective retroactive to January 1, 2025, repeals: (1) the maximum tax rate that may be considered in determining the amount of income tax that must be withheld and (2) the requirement that a standard deduction allowance be treated as if it was denominated as a withholding exemption. For the purpose of income tax withholding, permits the Director of Taxation to prescribe a standard deduction allowance of more or less than one whole exemption.		

Idaho

HB 40	Status: Became law 3-6-2025	Topic: Income tax rates
Effective retroactive to January 1, 2025, lowers personal and corporate tax rates from 5.695% to 5.3%.		

Illinois

SB 174 / SB 2981	Status: Referred to Senate Assignments, co-sponsor added (2-11-2025) Legislature no longer in session	Topic: No tax on overtime pay
Effective immediately, would allow a deduction from Illinois taxable income for overtime pay. SB 2981 would allow the overtime deduction in excess of the regular salary.		

Indiana

HB 1001	Status: Became law without the provision for no tax on tips (5-06-2025)	Topic: No tax on tips
Effective January 1, 2025, would have exempted tips from the Indiana adjusted gross income tax.		

Iowa

HF 1024	Status: Placed on House Ways and Means calendar (5-15-2025) Legislature no longer in session	Topic: No tax on tips
Would exempt the first \$25,000 in cash tips received by taxpayers with a net income of less than \$155,000 from individual income taxation.		

Iowa

SF 607	Status: Sent to Governor (5-23-2025) Legislature no longer in session	Topic: Unemployment insurance
Would modify the definition of "taxable wages" for purposes of unemployment insurance taxes on employers by excluding wages paid by Iowa employers to employees who work in another state if the other state extends reciprocity to Iowa for employment purposes. Would reduce the taxable wage base used to calculate unemployment insurance taxes for employers from 66.7% to 33.3% of the annualized statewide average wage. Would modify employer contribution rates, including changing the highest contribution rate from 9.0% to 5.4%.		

Iowa

HSB 114	Status: House Labor and Workforce Committee (1-30-2025) Legislature no longer in session	Topic: Unemployment insurance tax reform
Gov. Reynolds proposed lowering the maximum tax rate to the lowest allowed by federal law (5.4%), cutting the taxable wage base by half, and simplifying the unemployment insurance system by reducing the number of tax tables.		

Kansas

SB 269	Status: Became law (4-10-2025)	Topic: State income tax
Effective January 1, 2025, and if revenue goals are met, will gradually lower the income tax rates until the state's two income tax brackets are collapsed to one at 4%.		

Louisiana

HB 667	Status: Passed House, Referred to Senate Committee on Revenue and Fiscal Affairs (5-12-2025) Legislature no longer in session	Topic: State income tax
Would reduce the state's income tax rate from 3% to 2.75% effective January 1, 2027, if voters approve a constitutional amendment repealing the Budget Stabilization Fund.		

Maine

LD 106	Status: Bill tabled (4-10-2025)	Topic: Paid Family and Medical Leave Insurance
Effective January 1, 2026, would have established that leave paid under a state paid family and medical leave plan is taxable to the extent the benefits are included in federal taxable income.		

Maine

LD 54	Status: Passed House and Senate with Amendment, House to consider amendment (5-21-2025) Carried over to any special or regular session of the 132nd Legislature	Topic: Pay transparency
Effective 90 days after enactment, would require an employer with 10 or more employees to: (1) include on a job posting a statement listing the prospective range of pay the employer will offer to a successful applicant, (2) disclose the range of pay it offers for the position the employee holds upon an employee's request and (3) maintain a record of each position held by an employee and the employee's pay history during the employee's employment and for three years after the employee's termination of employment.		

Maine

LD 229	Status: Passed House (6-13-2025) Carried over to any special or regular session of the 132nd Legislature	Topic: State income tax
Effective January 1, 2026, would reduce the number of income tax brackets to five from seven and increase the tax rate on the top two brackets to 7.75% and 8.95%. The current top rates are 6.75% and 7.15%. It is anticipated that Governor Janet Mills will veto the measure.		

Maryland

H.B. 352 (p. 160)	Status: Became law (4-7-2025)	Topic: State income tax; state unemployment insurance
<p>State income tax. Effective retroactive to January 1, 2025, raises the income tax rate from 5.75% to 6.25% for taxpayers earning \$500,001 to \$1 million and from 5.75% to 6.5% for taxpayers earning more than \$1 million. The law also increases the maximum local tax rate from 3.2% to 3.3% and raises the standard deduction.</p> <p>State unemployment insurance. Beginning January 1, 2026, (1) imposes an unemployment insurance administrative fee of 0.15% on all taxable employers, (2) requires that all associated revenue be deposited into the Special Administrative Expense Fund to be used for specified administrative expenses, and (3) reduces the unemployment insurance tax rate assigned to each taxable employer by 0.15%, subject to a minimum overall tax rate of 1.0% for new employers.</p>		

Maryland

HB 102	Status: Became law (4-8-2025)	Topic: Paid Family and Medical Leave Insurance
<p>Delays the start date of the state's paid family and medical leave insurance program from July 1, 2025, to January 1, 2027. Delays the dates on which the payment of contributions for paid family and medical leave insurance begins and the date on which benefit claims may be filed to January 1, 2028.</p>		

Massachusetts

H 3173	Status: Introduced (2-27-2025)	Topic: No tax on overtime pay
<p>Would exempt overtime pay from income tax with the clarification that the provision does not apply to salaried exempt employees.</p>		

Michigan

HB 4170	Status: Passed House, transmitted to Senate (3-20-2025)	Topic: State income tax
<p>Effective January 1, 2025, would lower the income tax rate from 4.25% to 4.05%.</p>		

Michigan

HB 4001	Status: Passed House, referred to Senate Committee on Regulatory Affairs (2-4-2025)	Topic: Minimum wage
<p>Effective immediately, would introduce a new schedule for general minimum wage increases through January 1, 2029, and maintain the tipped minimum wage at 38% of the regular hourly minimum wage. Would adjust the unemployment rate threshold for annual minimum wage increases from 8.5% to 7.5%.</p>		

Minnesota

SF 589	Status: Referred to Taxes (1-27-2025) Legislature no longer in session	Topic: No tax on overtime pay
<p>Effective January 1, 2026, would exempt overtime pay required under federal law from Minnesota state income tax.</p>		

Minnesota

SF 46, HF 950	Status: Referred to Taxes (1-16-2025) Legislature no longer in session	Topic: Nonresident income tax
Effective January 1, 2026, would exempt certain nonresident employees from Minnesota nonresident income tax and withholding if they work in the state for fewer than 30 days in the calendar year.		

Missouri

H.B. 100, SB 151	Status: Further action postponed (2-11-2025)	Topic: State income tax
Effective January 1, 2026, would implement a flat 4% income tax rate and, starting in 2027, provide for 10 annual reductions of 0.1 percentage points, while retaining the budget requirements established under SB 3 (2022) .		

Missouri

HB 798	Status: Passed House (3-11-2025), Referred to Senate Committee (4-9-2025) Legislature no longer in session	Topic: State income tax
Effective January 1, 2026, would implement a flat 4.7% income tax rate and, starting in 2027, the 4% flat tax would be reduced when the revenue grows by at least \$1 million and the Tax Reform Fund is at least \$120 million at the end of the fiscal year.		

Missouri

H.B. 567	Status: Became law (7-10-2025)	Topic: Employment law
Effective immediately, repeals the changes under voter-approved Proposition A , which raised the minimum wage to \$13.75 effective January 1, 2025, with annual cost of living adjustments each year thereafter, and required employers to provide paid leave to employees.		

Mississippi

HB 1	Status: Became law (3-27-2025)	Topic: State income tax
Starting in 2027, gradually reduces the state's income tax rate until it is phased out completely by 2037.		

Montana

H.B. 210	Status: Became law (4-7-2025)	Topic: Unemployment insurance
Effective January 1, 2026, adds a lower contribution tax rate schedule and changes the tax schedule rate trigger, thereby lowering the average tax rate from 1.12 to 0.95 in new Schedule I.		

Montana

SB 203	Status: Tabled by House (4-16-2025)	Topic: State income tax
Effective retroactive to January 1, 2025, would increase the income thresholds before taxable income is taxed at the higher marginal tax rates of either 5.9% or 4.1%. S.B. 323 , which failed to pass in the Senate, included a reduction in the top marginal income tax rate, from 5.9% to 5.4% in 2026 and to 4.9% in 2027. The bill also proposed increasing Montana's earned income tax credit from 10% to 15% of the federal credit.		

Montana

HB 337	Status: Became law (4-28-2025)	Topic: State income tax
Reduces Montana's top marginal income tax rate from 5.9% to 5.65% effective in 2026, and to 5.4% effective in 2027. Montana Governor Greg Gianforte had called for a reduction in the maximum individual income tax rate from 5.9% to 4.9%, in addition to an expansion of the Montana earned income tax credit.		

New York

AB 8953	Status: Referred to Assembly Ways and Means Committee (7-16-2025)	Topic: Local income tax
Effective January 1, 2026, would allow a 2% surtax on city taxable income over \$1 million.		

New York

AB A3009B (p.7) A3006-C	Status: Became law (5-9-2025)	Topic: State income tax, payroll mobility tax, elimination of federal unemployment insurance credit reduction in 2025
First, effective January 1, 2025, through December 31, 2032, the law sets the tax rate at 10.75% on income between \$10 million and \$25 million, 11.75% on income over \$25 million but less than \$100 million, and 12% on income over \$100 million; the tax rates for the first five of the existing nine brackets are lowered in 2026 and again in 2027. Second, effective July 1, 2025, the law reduces the payroll mobility tax for small businesses and increases it for large businesses. Third, the law requires that the state's outstanding federal unemployment insurance (FUTA) loan balance be repaid thereby eliminating the FUTA surtax on New York employers.		

New York

SB S1514	Status: Passed Senate, referred to House Committee on Labor (3-5-2025) Legislature no longer in session	Topic: Worker classification
Would empower the Commissioner of Labor to issue stop-work orders against employers for misclassifying employees as independent contractors or providing false, incomplete or misleading information to an insurance company on the number of employees.		

New York

AB A8965	Status: Referred to Assembly Ways and Means (8-13-2025)	Topic: No tax on overtime
Would define overtime compensation as wages earned for hours worked beyond an employee's normal scheduled working hours. If enacted, the measure would take effect immediately and apply to tax years beginning on or after January 1, 2026.		

North Carolina

HB 48	Status: Passed House, referred to Senate Committee on Rules (2-27-2025)	Topic: Unemployment insurance
Would raise the maximum Unemployment Insurance (UI) weekly benefit amount from \$350 to \$450 and provide an employer tax credit equal to the employer's UI tax payment made on or before January 31, 2025.		

North Carolina

HB 459	Status: Referred to House Committee on Rules (3-20-2025)	Topic: State income tax
Effective retroactive to January 1, 2025, would set the state's individual income tax rate at 4.25%, up from 3.99% for tax years beginning after 2025. Would also amend the general revenue amount that would trigger a reduction of the state's individual income tax rate beginning with fiscal year 2027-28.		

North Carolina

HB 11	Status: Referred to Committee on Finance (3-11-2025)	Topic: No tax on tips, overtime pay
Effective January 1, 2025, would provide tax deductions for overtime pay, bonus compensation up to \$2,500 and qualified tips.		

Ohio

H.B. 96	Status: Became law (6-30-2025)	Topic: State income tax
Reduces the top income tax rate from 3.5% to 3.125% for tax year 2025, then implements a flat 2.75% rate for tax year 2026 and after. Taxpayers earning \$26,050 or less per year are exempt from the income tax. For 2025 and 2026, the income tax brackets and personal exemptions are not subject to inflation indexing.		

Oklahoma

H.B. 2764	Status: Became law (5-28-2025)	Topic: State income tax
Effective January 1, 2026, amends the state's income tax brackets for individual taxpayers to provide that single taxpayers and married taxpayers filing separately will be taxed at a rate of 0% tax on the first \$3,750; 2.5% tax on the next \$1,150; 3.5% tax on the next \$2,300; and 4.5% tax on the remainder. Married individuals will be taxed at the rate of 0% tax on the first \$7,500; 2.5% tax on the next \$2,300; 3.5% tax on the next \$4,600; and 4.5% tax on the remainder. If budget goals are reached, the tax rates will be further reduced by 0.25% until they reach 0%.		

Pennsylvania

SB 527	Status: Passed Senate, referred to House (6-24-2025)	Topic: Philadelphia wage tax
Would prohibit "first-class cities" (i.e., Philadelphia) from imposing a tax on nonresident individuals' salaries, wages or other compensation if they are employed by an employer located in the city but perform all duties or services outside of the city; if the individual performs only some of their duties or services within the city limits, only those duties or services can be taxed. (See PA Senate Republicans press release .)		

Pennsylvania

S.B. 206	Status: Referred to Senate Finance (1-29-2025)	Topic: State income tax
Effective January 1, 2026, would eliminate the state's income tax on individual taxpayers, trusts and estates.		

Pennsylvania

HB 1393	Status: Referred to Senate Finance (5-5-2025)	Topic: Paid family and medical leave tax credit
Would create a state tax credit for qualified business firms that provide paid family and medical leave to their employees equal to the amount that a qualified business firm receives for the equivalent federal family and medical leave tax credit.		

Pennsylvania

HB 1610	Status: Passed House, referred to Senate Finance (6-25-2025)	Topic: No tax on tips and overtime pay
Effective January 1, 2026, would exempt overtime pay and tips from state income tax claimed as a deduction on the taxpayer's state income tax return; employers would continue to be required to withhold state income tax from overtime. Tips and gratuities would be excluded from the definition of compensation.		

Rhode Island

S. 329	Status: Held for further study (5-29-2025)	Topic: State income tax
Would impose an additional 3% income tax on certain taxpayers with taxable income over \$625,000 for tax years beginning after January 1, 2026.		

South Carolina

Governor Henry McMaster Budget Proposal	Status: Proposed (1-13-2025) Legislature no longer in session	Topic: State income tax
Governor McMaster has proposed lowering the top tax rate from 6.2% to 6.0%.		

South Carolina

HB 4216	Status: Passed House, referred to Senate (5-7-2025) Legislature no longer in session	Topic: State income tax
Effective January 1, 2026, would amend the individual income tax rate by creating two tax rates depending on income brackets for tax years beginning after 2025: 1.99% for income not exceeding \$30,000; 5.59% minus \$1,020 for income exceeding \$30,000. The state's current rates are 0%, 3% and 6.2%.		

South Dakota

SB 26	Status: Became law (3-26-2025)	Topic: Unemployment insurance
Effective January 1, 2026, reduces employer contribution rates and increases the administrative fee rate for reemployment assistance.		

Utah

HB 106	Status: Became law (3-25-2025)	Topic: State income tax
Effective retroactive to January 1, 2025, lowers the state's personal and corporate income tax rate from 4.55% to 4.5%.		

Utah

HB 279	Status: Became law (3-25-2025)	Topic: Earned wage access
Effective May 7, 2025, provides rules governing employee-earned wage access services.		

Vermont

H 77	Status: Referred to House Committee on Ways and Means (1-23-2025) Legislature no longer in session	Topic: State income tax
Effective January 1, 2026, would increase the income thresholds for the state's income tax brackets for individuals, trusts and estates and would create a new 12.75% rate for single filers with income over \$1 million.		

Virginia

HB 1965	Status: Did not pass before legislative session ended	Topic: No tax on tips
Effective January 1, 2026, would provide an individual income tax deduction for cash tips, including tips paid by electronic means that are included on statements furnished to the taxpayer's employer for federal tax purposes.		

Washington, Seattle

Proposition 1A	Status: Passed by voters (2-20-2025)	Topic: Payroll expense tax
Effective January 1, 2025, creates a new 5.0% payroll expense tax on annual compensation above \$1 million paid in Seattle to an individual employee. The tax is separate from the existing Seattle Payroll Expense tax.		

Washington, Burien

Initiative Measure 1	Status: Passed by voters (2-20-2025)	Topic: Minimum wage
Effective March 25, 2025, institutes a minimum wage matching neighboring Tukwila .		

West Virginia

HB 3103	Status: Assigned to House Finance (3-4-2025) Legislature no longer in session	Topic: Exemption of retirement benefits from income tax
Effective January 1, 2025, would exempt retirement benefits from personal income tax.		

West Virginia

SB 99	Status: Assigned to Senate Finance Committee (2-12-2025) Legislature no longer in session	Topic: Return to West Virginia tax credit
Would create a \$25,000 tax credit against personal income tax liability for qualified taxpayers who returned to West Virginia on or after January 1, 2025, and at one point (1) both resided and were employed in the state for a minimum of 10 years, or (2) were born in the state, and then subsequently resided out of state for 10 consecutive years.		

Wisconsin

SB 36 / AB 38	Status: Passed Senate Committee on Agriculture and Revenue (9-19-2025)	Topic: No tax on tips
Would create an income tax exemption for cash tips received by an employee from the employer's customers.		

Wisconsin

SB 45 (2025-2027 budget bill)	Status: Became law (7-2-2025)	Topic: State income tax
Effective retroactive to January 1, 2025, expands the state's second-lowest tax bracket, which taxes income at 4.4%. Previously, single filers earning between \$14,320 and \$28,640, or married couples filing jointly earning between \$19,090 and \$38,190, were taxed at this rate. For tax years beginning after December 31, 2024, this bracket extends to single filers earning up to \$50,480 and married couples filing jointly up to \$67,300. Taxpayers that are married but file separately will remain in this bracket until their earnings reach \$33,160. Income included in the newly expanded bracket will be taxed at the 4.4% rate, rather than the 5.3% rate applicable to the next higher bracket.		

This month's insights

Consideration of state law differences when reporting overtime pay eligible for deduction under the OBBBA

For information purposes only. Employers should consider seeking the assistance of experienced employment law attorneys before implementing policy changes.

Effective for tax years 2025 through 2028, the [One Big Beautiful Bill Act](#) (OBBBA) allows individuals to deduct qualifying overtime pay from income subject to federal income tax. Qualified overtime pay is defined as the premium portion of overtime that is required under section 7 of the federal [Fair Labor Standards Act \(FLSA\)](#). Premium pay is the portion of overtime compensation that exceeds the regular rate of pay. For example, if an employee's hourly rate of pay is \$10.00, the overtime rate under the FLSA is \$15.00 and the premium portion is \$5.00 per hour.

To facilitate accurate taxpayer claims of the federal income tax deduction for overtime pay, the OBBBA requires employers to report the premium portion of overtime that is required under the FLSA in Box 12 of the Form W-2 using code TT. The IRS announced that the Form W-2 will not be updated for tax year 2025 and penalties do not apply for tax year 2025 for failure to provide information to employees concerning the qualified overtime paid to them. (*Tax Alert [2025-1476](#); Tax Alert [2025-1745](#).*)

State vs/ federal overtime pay requirements

Under the FLSA, overtime pay at 1.5 times the regular rate of pay is required for all hours physically worked over 40 in the workweek (exceptions apply to [state and local government employers](#) and the [health care industry](#)). For example, if an employee works 40 hours and receives 8 hours of paid time off in the workweek, no overtime is owed because the employee physically worked only 40 hours in the workweek.

In addition, the FLSA does not require:

- Overtime pay of 1.5 times the regular rate of pay for hours worked on holidays
- Overtime pay of 1.5 times the regular rate of pay for hours worked over 8 per day
- Overtime pay at 2 or more times the regular rate of pay

Overtime pay greater than that required under the FLSA is not considered when reporting qualified overtime pay in Box 12 of the Form W-2 (code TT). Accordingly, if employer policy or state/local law results in overtime pay in excess of that required under the FLSA, using hours physically worked in the workweek, the employer will need to separately compute the FLSA-required overtime pay for Form W-2 reporting purposes.


Following is a recap of state overtime pay laws that differ from the FLSA.

State overtime pay laws that differ from the FLSA*

State	Law governing overtime pay	Citation
Alaska	(A) 1.5 times regular rate of pay over 40 hours in the week. (B) 1.5 times hours worked over 8 per day unless there is an agreement in place that restricts hours worked to 40 hours weekly, 10 hours per day, or if one of the exemptions under the law applies.	Alaska Employment Practices and Working Conditions
California	(A) 1.5 times the employee's regular rate of pay for all hours worked in excess of 8 hours up to and including 12 hours in any workday, and for the first 8 hours worked on the seventh consecutive day of work in a workweek (B) 2 times the employee's regular rate of pay for all hours worked in excess of 12 hours in any workday and for all hours worked in excess of 8 on the seventh consecutive day of work in a workweek.	California Department of Industrial Relations
Colorado	1.5 times the regular rate of pay for any work in excess of: (1) 40 hours per workweek; (2) 12 hours per workday, or (3) 12 consecutive hours without regard to the starting and ending time of the workday (excluding duty-free meal periods), whichever calculation results in the greater payment of wages.	Colorado Interpretive Notice & Formal Opinion #1
Hawaii	1.5 times the regular rate of pay for any work over 40 hours in the week (or over 8 hours per day for state or county public works construction projects)	Hawaii Wage Standards Division
Kansas	1.5 times the regular rate of pay for hours worked over 46 hours in the workweek (if the employer is covered by federal law, the FLSA-standard applies)	Kansas statute 44-1204

State	Law governing overtime pay	Citation
Minnesota	1.5 times the regular rate of pay for hours worked over 48 hours in the workweek (if the employer is covered by federal law, the FLSA-standard applies)	Minnesota statute 177.25
Nevada	<p>(A) 1.5 times an employee's regular wage rate if the employee is paid at a rate less than 1.5 times the minimum rate prescribed pursuant to NRS 608.250 and works:</p> <p>More than 40 hours in any scheduled week of work Or More than 8 hours in any workday unless by mutual agreement the employee works a scheduled 10 hours per day for 4 calendar days within any scheduled week of work.</p> <p>(B) 1.5 times an employee's regular wage rate if the employee is paid at a rate at least 1.5 times the minimum rate prescribed pursuant to NRS 608.250 and works more than 40 hours in any scheduled week of work.</p>	NRS https://www.leg.state.nv.us/NRS/NRS-608.html#NRS608Sec012608.018

*This information is the result of a survey of state websites and is not intended, nor can it be used, as a substitute for legal advice.

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