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Payroll month in review for March 2026

Employment Tax Advisory Services

Vol. 4, Issue 2

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States have different rules governing the payment of deceased employees' wages

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

All wages and other monetary benefits owed to a deceased employee can automatically become property of the employee's estate, thereby subjecting it to complex state probate procedures of the employee's state of residence.

These probate procedures can delay payment to closely related survivors. Accordingly, in lieu of paying final wages to the estate of the deceased employee, many states allow employers to make direct payment to designated relatives, such as the surviving spouse or children. Direct payment to designated beneficiaries is often subject to restrictions, in particular, a dollar limit and/or disclosures by beneficiaries prior to accepting payment.



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State rules governing the payment of deceased employees' wages

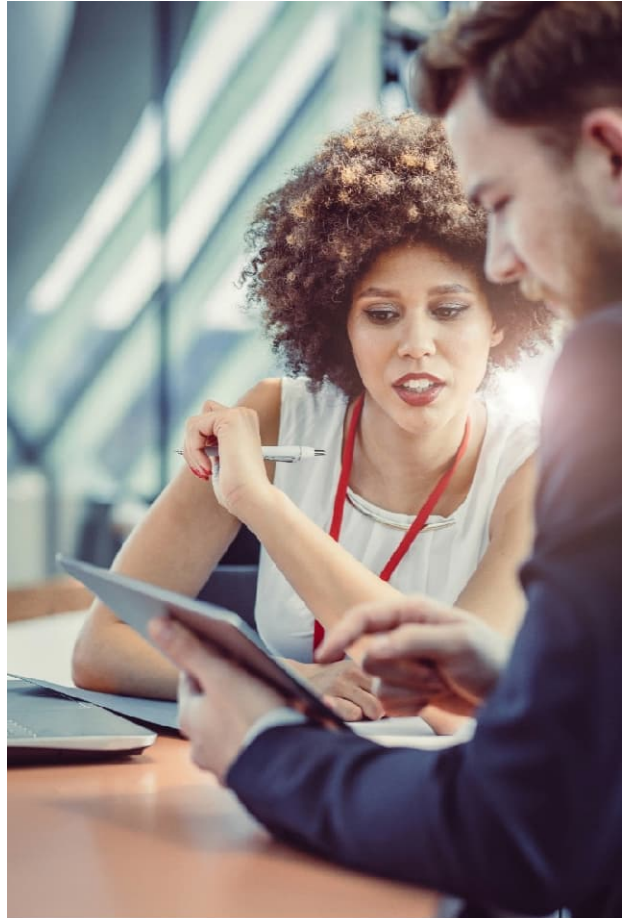
For example, Connecticut allows employers to make direct payment of up to \$40,000 of a deceased employee's wages to a surviving spouse, or if no surviving spouse, any of the decedent's next of kin. ([Conn. Gen. Stat. Section 45a-273.](#))

Texas allows direct payment only to the decedent's spouse if the surviving spouse provides the employer with a signed and notarized affidavit that states both:

- The person swearing under oath (the affiant) is the employee's surviving spouse
- No person has qualified as an executor of the will or is an administrator of the employee's estate ([Texas Comptroller of Public Accounts, Payment of Final Wages to the Estates of Deceased Employees.](#))

The bottom line

Employers should develop policies concerning the payment of deceased employees' wages with the assistance of qualified legal advisors. Policies and procedures should include all elements of information beneficiaries must provide to employers before wage payments are made.



EY special reports

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 communication 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 October 1, 2025, 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 developments

Proposed regulations would clarify elections for Trump Accounts and pilot program contributions

On March 6, 2026, the IRS and Treasury Department released two sets of proposed regulations on "Trump accounts," which are individual retirement accounts (IRAs) for children under 18 years old (account beneficiaries). The proposed regulations on Trump accounts clarify how to elect to open a Trump account. The proposed regulations on the pilot program specify how to elect to open a Trump account for a child who is eligible to receive a \$1,000 contribution from the government. Both sets of proposed regulations generally follow the requirements in Notice 2025-68 with some clarifications.

—[Read more about this development in Tax Alert 2026-0607](#)

State unemployment insurance (SUI)

SUI wage bases and tax rates for 2026 (updated March 2, 2026)

The report in the link below contains information concerning the 2026 SUI wage bases and the minimum and maximum SUI tax rates, including surcharges that are not certified and not included in state SUI wages on the federal Form 940. Information is also provided concerning the date that the 2026 SUI rate notices were issued. This report reflects information available as of 2026.

—[Read more about this development in Tax Alert 2026-0278](#)

State and local income tax withholding

California law largely does not conform to OBBBA provisions affecting compensation and benefits

California recently enacted legislation updating its conformity to the federal Internal Revenue Code (IRC), marking the state's first broad conformity update in nearly a decade. [S.B. 711](#) (the Conformity Act of 2025) advances California's general IRC conformity date from January 1, 2015, to January 1, 2025, effective for tax years beginning on or after January 1, 2025.

While this change aligns California with many federal tax law developments enacted over the past 10 years, the state continues to apply a selective, static conformity approach and maintains significant areas of nonconformity, including the compensation and benefits provisions contained in the One Big Beautiful Bill Act (P.L. 119-21, OBBBA).

—[Read more about this development in Tax Alert 2026-0665](#)

Colorado law updates rules governing employee notice of federal and state income tax credits

The Colorado Department of Revenue has adopted Rule 39-22-604-4 (1 CCR 201-2) clarifying the written notice employers must provide to employees regarding certain federal and state refundable income tax credits (Earned Income Tax Credit or "EITC notices"). The rule specifies that employers must provide either Form DR 0995, *Notice of Federal and State Refundable Tax Credits* or the entire written content of Form DR 0995, and clarifies that providing only a hyperlink does not satisfy the statutory notice requirement.

—[Read more about this development in Tax Alert 2026-0649](#)

Louisiana regulations adopt expansion of nonresident income tax and withholding exemption to 30 days

The Louisiana Department of Revenue (Department) has updated [regulations](#) governing the time nonresidents can work in the state without triggering the state income tax and withholding requirement to conform to legislation enacted in 2025 under [H.B. 567](#). The updated regulations are effective March 20, 2026.

—[Read more about this development in Tax Alert 2026-0770](#)

State and local income tax withholding

Puerto Rico's Treasury Department announces qualified retirement plan limits for 2026

In Circular Letter 26-03, Puerto Rico's Treasury Department (PRTD) announced the benefit and contribution limits for qualified retirement plans under Section 1081.01(a) of the Puerto Rico Internal Revenue Code of 2011, as amended (the PR Code). These limits apply to tax years beginning on or after January 1, 2026. Additionally, Section 1081.01(h) of the PR Code requires the PRTD to report the applicable limits that are announced by the US Internal Revenue Service (IRS) and will apply to plans qualified under the PR Code.

—[Read more about this development in Tax Alert 2026-0555](#)

Other payroll developments

New York law prohibits employment agreements requiring compensation repayment tied to length of service

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

Under the Trapped at Work Act, enacted in 2025 (A.584-C) and amended in 2026 ([A.9452](#)), employers are prohibited from requiring workers to repay them if the employment relationship ends before a stated period. The law is effective December 19, 2026.

—[Read more about this development in Tax Alert 2026-0724](#)

Bill watch for 2026

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.		

Alabama

H.B. 527	Status: Passed House (3-31-2026), referred to Senate Finance and Taxation Education (4-1-2026)	Topic: Overtime pay exemption
Effective retroactive to January 1, 2026, would establish an overtime deduction for compensation up to \$1,000.		

Georgia

S.B. 476	Status: House considers Senate markup (2-18-2026)	Topic: State income tax
Effective retroactive to January 1, 2026, would reduce the personal income rate from 5.19% to 4.99% and increase the standard deduction for single filers from \$12,000 to \$50,000 and married filers from \$24,000 to \$100,000.		

Hawaii

H.B. 1807	Status: Referred to House Committee (1-26-2026)	Topic: State income tax
Effective January 1, 2026, would create a 3% surtax on taxpayers with income exceeding \$500,000 when unmarried or married and filing a separate return, \$750,000 when the head of a household or a surviving spouse, or \$1 million when filing jointly.		

Bill watch for 2026

Hawaii

H.R. 2165	Status: Passed House, transmitted to Senate (3-10-2026)	Topic: State unemployment insurance
Effective April 1, 2027, would require employers to report separation and wage information within five calendar days of the state's notice to report and would make employers subject to increased penalties for failure to report separations or wages and for failure to file or for filing insufficient wage reports.		

Illinois

H.B. 5237	Status: Placed on House calendar for second reading (3-19-2026)	Topic: Local payroll head tax
Effective immediately, would prevent municipalities from taxing businesses based on the number of their employees.		

Indiana

S.B. 243	Status: Signed into law (3-5-2026)	Topic: Conformity with the federal One Big Beautiful Bill Act (OBBBA)
Effective January 1, 2026, conforms the Indiana tax code to most provisions of the federal OBBBA.		

Idaho

H.B. 519	Status: Introduced to House Revenue and Taxation Committee (1-26-2026)	Topic: Conformity with the federal One Big Beautiful Bill Act (OBBBA)
Effective January 1, 2026, would conform the Idaho tax code with most provisions of the federal OBBBA.		

Kentucky

S.B. 129	Status: Passed Senate; House floor amendments filed (4-1-2026)	Topic: State Unemployment Insurance
Effective January 1, 2026, would reinstate the Service Capacity Upgrade Fund (SCUF) at the rate of 0.075% and to 0.115% effective January 1, 2027. The law would also direct the Secretary of the Education and Labor Cabinet to set the adjustment percentage annually to be effective January 1 of each subsequent year, not to exceed 1.025%. The SCUF was temporarily discontinued for the second through fourth quarters of 2025.		

Maryland

S.B. 3	Status: Hearing held in Senate Finance Committee (2-11-2026)	Topic: State Unemployment Insurance
Would increase the state unemployment insurance taxable wage base in 2027 and 2028 to reach 16% of the average weekly wage (AAW) beginning in 2029. Currently, the wage base is set at \$8,500.		

Michigan

S.B. 584	Status: Passed Senate, referred to House Committee on Finance (2-19-2026)	Topic: State income tax withholding
Effective retroactive to January 1, 2026, would make withholding income tax from pension benefits optional.		

Missouri (St. Louis)

Board Bill 100	Status: Notice of House hearing for vote on 4-7-2026	Topic: Local income tax withholding
Voters will choose on April 7, 2026, whether to renew the St. Louis earnings tax.		

Bill watch for 2026

Nebraska

L.B. 802	Status: Notice of House Hearing (2-12-2026)	Topic: State income tax
Effective January 1, 2027, would update individual income tax brackets and rates, lowering the rate of the fourth income tax bracket to 3.98%.		

New Jersey

S. 3948	Status: Referred to Senate Labor Committee (03-16-2026)	Topic: State Unemployment Insurance
Effective April 16, 2027, would increase the penalties for delinquent filing of quarterly wage and contribution reports.		

Ohio

H.B. 321	Status: Referred to committee Public Insurance and Pensions (06-04-2025)	Topic: State Unemployment Insurance
Effective January 1, 2026, would increase the wage base from \$9,000 to \$9,500.		

South Carolina

H.B. 4216	Status: Signed into law (3-30-2026)	Topic: State income tax
Effective retroactive to January 1, 2026, lowers and restructures the state personal income tax rates by consolidating the current multibracket system into a simplified structure with a new top rate of 5.21% (previously, 6.0%) for annual incomes of at least \$30,000 and a lower rate of 1.99% for income under \$30,000. Future rate reductions apply if specified revenue requirements are met.		

Utah

S.B. 60	Status: Signed into law (3-23-2026)	Topic: State income tax
Effective retroactive to January 1, 2026, reduces the Utah individual income tax rate from 4.5% to 4.45%.		

Virginia

H.B. 188	Status: House Finance Committee introduces impact statement (2-11-2026)	Topic: State income tax
Effective January 1, 2026, would create a new tax bracket of 10% on income over \$1 million.		

Washington

S.B. 6346	Status: Signed into law (3-30-2026)	Topic: State income tax
Effective January 1, 2028, imposes a 9.9% income tax on individuals and couples making over \$1 million.		

West Virginia

S.B. 392	Status: Signed into law (3-31-2026)	Topic: State income tax
Effective retroactive to January 1, 2026, lowers the top marginal personal income tax rate from 4.82% to 4.58% and similarly reduces each lower bracket's tax rate by roughly 10%.		

West Virginia

H.B. 4401	Status: Sent to House Finance Committee (1-16-2026)	Topic: State unemployment insurance
Effective July 1, 2026, would lower the state unemployment insurance wage base from \$9,500 to \$8,500.		


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