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Payroll month in review for July 2026

Employment Tax Advisory Services

Vol. 4, Issue 6



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State unemployment insurance wage bases and tax rates for 2026 (updated as of July 29, 2026)

The special report linked below contains the 2026 state unemployment insurance (SUI) wage bases and the minimum and maximum SUI tax rates (updated as of July 29, 2026), 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. See the footnotes for details about special actions some states took to lessen increases in their SUI tax rates and/or wage bases for 2026.

—[Download the latest report](#)



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State income tax withholding

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

ACA affordability percentage rises again for 2027 employer health plans

In Revenue Procedure 2026-26, the IRS announced a new Affordable Care Act (ACA) affordability percentage of 10.22% for 2027 employer health care plans. The increased percentage gives employers more room to set employee premiums while keeping coverage affordable under the applicable safe harbor.

—[Read more about this development in Tax Alert 2026-1601](#)

State and local income tax withholding

Hawaii legislation establishes higher personal income tax rate on income over \$1 million

Hawaii Governor Josh Green has approved S.B. 3125 (Act 24, 2026), which, effective January 1, 2027, implements a personal income tax rate of 13% on taxable income exceeding \$1 million in a calendar year while preserving much of the individual income tax relief enacted under Hawaii's 2024 tax reform legislation for lower- and middle-income taxpayers. The legislation modifies certain future income tax bracket changes while retaining significant taxpayer benefits enacted under prior law.

—[Read more about this development in Tax Alert 2026-1440](#)



State and local income tax withholding

Massachusetts Department of Revenue publishes information about conformity with the OBBBA's compensation and benefits provisions

The Massachusetts Department of Revenue released TIR 26-4 to explain whether and how provisions of the federal One Big Beautiful Bill Act (OBBBA) apply for Massachusetts income tax purposes.

—[Read more about this development in Tax Alert 2026-1567](#)

North Carolina law progressively lowers personal income tax rate over several years

On July 7, 2026, North Carolina Governor Josh Stein signed S.B. 257, which progressively lowers the personal income tax rate from 3.99% to 2.99% over seven years. The personal income tax rate may be further reduced in future years if certain revenue triggers are met.

—[Read more about this development in Tax Alert 2026-1630](#)

Ohio releases modified 2026 income tax withholding formulas and tables reflecting scheduled tax cut

The Ohio Department of Revenue has updated its income tax withholding tables and formulas reflecting a scheduled decrease in the tax rates under H.B. 96 enacted in 2025. The modified withholding formulas/tables apply to wages paid on and after August 1, 2026.

—[Read more about this development in Tax Alert 2026-1619](#)

Rhode Island law imposes a personal income tax surtax on income exceeding \$1 million

Rhode Island Governor Dan McKee approved H. 7127, which, starting in 2027, imposes a personal income tax surtax on annual income exceeding \$1 million in the year. The legislation was enacted as part of Rhode Island's fiscal year 2027 budget bill and establishes a phased-in surtax that will increase the effective tax rate on taxable income above \$1 million from 5.99% to 8.99% when fully implemented.

—[Read more about this development in Tax Alert 2026-1486](#)

Other payroll developments

Connecticut law requires employee guides showing certain pay code definitions and makes other updates to employment law

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

Connecticut Governor Ned Lamont approved H.B. 5003 imposing a new requirement concerning employer transparency about pay codes used in pay statements and modifying various other state employment law provisions.

—[Read more about this development in Tax Alert 2026-1586](#)

New Jersey enacted budget bills include fees on employers with employees utilizing state Medicaid

Assembly Bill No. 5324 (AB 5324), effective June 30, 2026, establishes fees for certain employers that employ individuals who receive health benefit coverage through the State Medicaid program.

—[Read more about this development in Tax Alert 2026-1456](#)



Bill watch for 2026

State legislatures that have adjourned with no set date to return

Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Minnesota, Mississippi, Missouri, Nebraska, New Mexico, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia and Wyoming.

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: Signed into law (4-17-2026)	Topic: Overtime pay exemption
Effective retroactive to January 1, 2026, and through December 31, 2028, establishes an overtime deduction for compensation up to \$1,000. The deduction is taken on the Alabama personal income tax return and can be claimed even if the taxpayer does not itemize deductions.		

Georgia

H.B. 463	Status: Signed into law (5-11-2026)	Topic: State income tax
Effective retroactive to January 1, 2026, lowers the income tax rate to 4.99% with further reductions of 0.125% annually until the rate reaches 3.99%. In addition, increases the annual exclusion for retirement income to \$70,000.		

Hawaii

H.B. 3125	Status: Signed into law (5-21-2026)	Topic: State income tax
Effective January 1, 2027, creates a new highest tax rate of 13% for taxpayers with annual incomes exceeding \$1 million.		

Hawaii

S.B. 2881	Status: Signed into law (6-9-2026)	Topic: Pension withholding and reporting
Effective January 1, 2027, provides that taxable income subject to reporting as a distribution on federal Form 1099-R may be subject to Hawaii state income tax withholding at the taxpayer's election and requires the Hawaii Department of Taxation to adopt rules and prescribe forms.		

Bill watch for 2026

Hawaii

H.R. 2165	Status: Legislature adjourned (5-8-2026)	Topic: State unemployment insurance
Effective April 1, 2027, would require employers to report to the state 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.		

Idaho

H.B. 519	Status: Legislature adjourned (4-2-2026) 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.		

Illinois

H.B. 5237	Status: Referred to the House Rules Committee (4-17-2026)	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.		

Kentucky

H.B. 757	Status: Passed by legislature (4-14-2026)	Topic: Conformity with the federal One Big Beautiful Bill Act (OBBBA)
Effective January 1, 2026, would update the state's Internal Revenue Code conformity date to December 31, 2025, while excluding any IRC amendments made subsequent to that date, unless the amendments extend provisions in effect on December 31, 2024, that would otherwise terminate.		

Kentucky

S.B. 129	Status: Signed into law (4-17-2026)	Topic: State Unemployment Insurance
Effective January 1, 2026, reinstates the Service Capacity Upgrade Fund (SCUF) at the rate of 0.075% through December 31, 2026, and to 0.115% effective January 1, 2027. The law also directs 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.		

Maine

L.D. 2212	Status: Signed into law (4-10-2026)	Topic: State income tax
Effective retroactive to January 1, 2026, imposes a 2% surcharge on individual income that exceeds \$1 million for single filers and \$1.5 million for head of household and joint filers. Additionally, and effective retroactive to January 1, 2026, L.D. 705 increases the standard deduction from \$12,000 to \$15,000.		

Bill watch for 2026

Maryland

S.B. 3	Status: Legislature adjourned (4-13-2026) 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 beginning in 2029. Currently, the wage base is set at \$8,500.		

Michigan

S.J.R.N. O	Status: Referred to Committee on Government Operations (7-15-2026)	Topic: State income tax withholding
Effective January 1, 2027, would amend the state's constitution to create a 5% surcharge on personal income exceeding \$1 million per year (\$500,000 for single filers).		

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

H.J.R. 173	Status: Approved for inclusion on November 3, 2026 ballot (4-23-2026)	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: Approved by voters on April 7, 2026	Topic: Local income tax withholding
Extends the St. Louis earnings tax for an additional five years.		

Nebraska

L.B. 802	Status: Legislature adjourned (4-17-2026) 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.		

North Carolina

S.B. 1080	Status: Ratified for inclusion on November 3, 2026 ballot (05-21-2026)	Topic: State income tax
If approved by North Carolina voters on November 3, 2026, would change the constitutional cap on the state's income and corporate income tax rate to 3.5%, lower than the current 7%.		

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.		

Bill watch for 2026

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.		

Oregon

Referendum Petition 2026-302	Status: Voters did not pass on May 19, 2026	Topic: State transit tax
If it had passed by voters, would have, effective immediately, increased the statewide transit tax withholding rate from 0.1% to 0.2%.		

Rhode Island

H. 7127	Status: Signed into law (6-12-2026)	Topic: State income tax
Effective retroactive to January 1, 2027, imposes a 3% personal income tax rate (for a highest tax rate of 8.99%) on individuals with income exceeding \$648,398.		

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: Legislature adjourned (3-14-2026) Impact statement introduced by House Finance Committee (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: Legislature adjourned (3-14-2026) 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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