Pay Matters: year-end 2025

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Viventium's year-end portal is live!

We are excited to announce that our **2025 Year-End Portal is now live**! Since it's hosted on the Viventium Support Center, simply log into Viventium Software, select "Help" in the upper right-hand corner of the screen, and click on the Year-End Portal icon.

Please review the information in this portal carefully as it will assist you in navigating your year-end process as well as in processing accurate and compliant payrolls in 2026. If you have any questions or require further clarification, please contact your Client Support Team.

OBBBA 2025 qualified overtime and tips reporting

In 2025, qualified overtime and cash tips are deductible by employees on their personal tax returns, but there are no reporting changes to Forms W-2. For 2025, employers can report qualified overtime and cash tips to their employees on a separate statement, but the IRS has announced penalty transition relief for employers who do not do so.

The IRS has provided guidance to help employees determine their qualified overtime and tip amounts if they do not receive a separate accounting from their employer.

If you are a Viventium client, as a service to you and your employees, Viventium is providing you with the reports you need to extract overtime and tip amounts for 2025. Details have been sent to you in a separate email communication.

From 2026 to 2028, employers will be required to report qualified overtime and tip amounts on Forms W-2.

Social Security wage base to rise in 2026

The Social Security Administration (SSA) announced that the 2026 Social Security wage base will rise to $184,500, an $8,400 increase from the $176,100 wage base in 2025. The employee and employer Social Security tax rate will remain at 6.2%. The maximum Social Security tax employees and employers will each pay in 2026 is $11,439.00, up from $10,918.20 in 2025.

There is no limit to wages subject to Medicare tax. Both the employee and the employer Medicare tax rate for 2026 will remain at 1.45%. As in previous years, employers are required to withhold an additional 0.9% in Medicare taxes on wages earned by employees in excess of $200,000 in a calendar year. Employers are not required to match this 2.35% employee rate but continue to pay 1.45% in Medicare tax on all subject wages earned by employees.

For a copy of the SSA Fact Sheet, click here.

2026 pension contribution and benefit limits

The 2026 limits on the exclusion for elective deferrals for 401(k), 403(b), and most 457 plans will increase to $24,500, up from $23,500 in 2025. The catch-up contribution for employees ages 50 and older will increase to $8,000, up from $7,500 in 2025.

Under SECURE 2.0, employees who are 60, 61, 62, or 63 in 2025 have a higher catch-up contribution limit. The limit for this higher catch-up will remain $11,250 for employees reaching age 60, 61, 62, or 63 in 2026.

The 2026 monthly limit for qualified transportation fringe benefits and for qualified parking will increase to $340, up from $325.

The 2026 annual limit for dependent care FSA contributions will increase to $7,500, or $3,750 for those who are married filing separately. This is an increase from the 2025 limits of $5,000 and $2,500 respectively.

2026 health account contribution limits

Health Flexible Spending Arrangements (FSA)

The 2026 maximum employee salary reduction contribution under Section 125 to a Health Flexible Spending Arrangement will increase to $3,400, up from $3,300 in 2025.

Health Savings Accounts (HSA)

HSA limits are increasing as follows:

	2026	2025	Change
HSA contribution limit (employer + employee)	Self-only: $4,400 Family: $8,750	Self-only: $4,300 Family: $8,550	Self-only: +$100 Family: +$200
HSA catch-up contributions (age 55 or older)	$1,000	$1,000	No change
HDHP minimum deductibles	Self-only: $1,700 Family: $3,400	Self-only: $1,650 Family: $3,300	Self-only: +$50 Family: +$100
HDHP maximum out-of-pocket amounts (Deductibles, co-payments, and other amounts, but not premiums)	Self-only: $8,500 Family: $17,000	Self-only: $8,300 Family: $16,600	Self-only: +$200 Family: +$400

California and Virgin Islands in FUTA credit reduction

On November 10, the US Department of Labor announced that California and the Virgin Islands are in FUTA credit reduction for 2025.

Background

The Federal Unemployment Tax (FUTA) rate is 6.0%, but employers are generally entitled to a 5.4% reduction to that rate, assuming all state unemployment deposits are made timely. This results in an

effective FUTA rate of 0.6% for all employers. However, when a state borrows funds from the federal government to cover unemployment benefit payments and does not repay that loan by November 10 of a given year, that state is in FUTA credit reduction. The 5.4% credit is reduced, resulting in a higher FUTA rate for all employers in that state.

States are assessed a credit reduction of 0.3% for each year that they have not repaid their loan.

The following chart lists jurisdictions in FUTA credit reduction for 2025 as well as the FUTA tax employers will pay for each employee who earns at least the $7,000 FUTA wage base.

Jurisdiction	Normal FUTA rate	Credit reduction	Total FUTA rate	Total tax per employee
California	0.6%	1.2%	1.8%	$126
Virgin Islands	0.6%	4.5%	5.1%	$357

HHS repeals minimum staffing rule

On December 2, 2025, the US Department of Health and Human Services (HHS) repealed key provisions of its 2024 minimum staffing rule. Although the One Big Beautiful Bill Act had imposed a 9-year moratorium on the rule, it was still alive until this repeal.

The rule had required skilled nursing facilities to have an RN onsite 24 hours every day and to provide at least 3.48 hours of nursing care per resident per day, which were to include:

- 55 hours of RN care; and
- 45 hours of nurse aide care.

Instead, CMS will revert to its previous requirements:

- An RN on duty for 8 consecutive hours, 7 days a week; and
- An RN designated as director of nursing, on a full-time basis.

Note that some parts of the rule may still be preserved. The new facility assessments required by the rule have been in use since August 2024. In addition, Medicaid Institutional Payment Transparency Reporting requirements may continue.

Details are still emerging, so be sure to follow Viventium for updates.

New SECURE 2.0 changes for 2026

On September 16, 2025, the IRS issued final regulations affecting catch-up contributions to workplace retirement plans by employees age 50 or older.

The regulations clarify that starting in 2026 (or 2027, as applicable) the catch-up contributions made by "high wage earners" age 50 and up must be characterized as Roth contributions, i.e., post-tax. Catch-ups by these employees to a non-Roth plan will not be allowed.

“High wage earners” for the year 2026 are employees who earned over $150,000 in FICA wages in 2025.

For more details, view our webinar here.

IRS issues guidance on Trump Accounts

On December 2, 2025, the IRS issued Notice 2025-68, offering the first round of guidance on Trump Accounts, a new form of individual retirement account (IRA) established under the Working Families Tax Cuts and designed for eligible children under age 18.

Overview of Trump Accounts

Trump Accounts operate similarly to traditional IRAs but are created on behalf of children when a parent or guardian makes a formal election. Key rules include:

- No contributions may be made before July 4, 2026.
- Accounts can be opened for children who have not reached age 18 by year-end when the election is made.

Federal pilot contribution

The federal government will provide a one-time $1,000 contribution for each eligible child who is:

- A U.S. citizen; and
- Born between January 1, 2025, and December 31, 2028.

This pilot deposit is automatic once a Trump Account is established and the child meets the above criteria.

Other allowable contributions

Notice 2025-68 clarifies the various contribution types permitted:

- Qualified general contributions from certain governmental bodies and charities (must apply to a defined class of beneficiaries).

- Private contributions of up to $5,000 annually, in total, from individuals.
- Employer contributions of up to $2,500 per year, made to an employee's or employee's dependent's account.
    - Employer contributions do not count as taxable income.
    - They could toward the overall $5,000 annual cap.

Contribution limits are indexed for inflation beginning after 2027.

Withdrawals are not permitted before January 1 of the year the child turns 18.
Once the child reaches that year, the account generally transitions to standard traditional IRA rules, including future distribution and reporting requirements.

Administrative guidance and next steps

The notice also addresses questions relevant to:

- Trustees and financial institutions interested in offering Trump Accounts.
- Parents and guardians planning to open or contribute to these accounts.

The IRS has released a draft of Form 4547, Trump Account Election(s), which will be used both to establish accounts and enroll eligible children in the pilot program once finalized.

State minimum wage updates

The following states' hourly minimum wage will increase effective January 1, 2026, unless otherwise noted.

	2026	2025
Alaska	$14.00 on 7/1/2026	$13.00 on 7/1/2025
Arizona	$15.15	$14.70
California	$16.90	$16.50
Colorado	$15.16	$14.81
Connecticut	$16.94	$16.35
Florida	$15.00 on 9/30/26	$14.00 on 9/30/25
Hawaii	$16.00	$14.00
Maine	$15.10	$14.65

Michigan	$13.73	$12.48 on 2/21/25
Minnesota	$11.41	$11.13
Missouri	$15.00	$13.75
Montana	$10.85	$10.55
Nebraska	$15.00	$13.50
New Jersey	$15.92	$15.49
New York	$16.00	$15.50
Ohio	$11.00	$10.70
Rhode Island	$16.00	$15.00
South Dakota	$11.85	$11.50
Vermont	$14.42	$14.01
Virginia	$12.77	$12.41
Washington	$17.13	$16.66

Local minimum wage updates for 2026

State	Locality	2026
Arizona	Flagstaff	$18.35
Arizona	Tucson	$15.45
California	Belmont	$18.95
California	Burlingame	$17.86
California	East Palo Alto	$17.90
California	El Cerrito	$18.82
California	Foster City	$17.85
California	Half Moon Bay	$17.91

California	Hayward**	$17.79, $16.90
California	Los Altos	$18.70
California	Menlo Park	$17.55
California	Mountain View	$19.70
California	Novato**	$17.73, $17.46, $16.90
California	Palo Alto	$18.70
California	Petaluma	$18.31
California	Redwood City	$18.65
California	Richmond	$19.18
California	San Carlos	$17.75
California	San Diego	$17.75
California	San Jose	$18.45
California	San Leandro*	$16.90
California	San Mateo	$18.60
California	San Mateo County (unincorporated)	$17.95
California	Santa Clara	$18.70
California	Santa Rosa	$18.21
California	South San Francisco	$18.15
California	Sunnyvale	$19.50
California	West Hollywood	$20.25
Colorado	Boulder	$16.82
Colorado	Boulder County	$17.99
Colorado	Denver	$19.29

Colorado	Edgewater	$18.17
Maine	Portland	$16.75
Maine	Rockland	$16
New Mexico	Albuquerque*	$12
New Mexico	Bernalillo County*	$12
New Mexico	Las Cruces	$13.01
New York	New York City	$17
New York	Nassau, Suffolk, Westchester counties	$17
Washington	Bellingham	$19.13
Washington	Burien***	$21.63, $20.63
Washington	King County*	$20.82, $19.82, $18.32
Washington	SeaTac	$20.74
Washington	Seattle	$21.30
Washington	Tacoma*	$17.13
Washington	Tukwila*	$21.65

* Minimum wage in effect is state minimum wage

** Varies by employer size or other factors

*** Has two separate minimum wage laws; city seeking clarification in court

Disclaimer: State and local minimum wage laws frequently change and may have been modified since the publication of this information. In addition, some jurisdictions may have different minimum wages based on company size and industry, and many localities have passed minimum wage laws that are higher than state law. Please consult your legal advisor.

Wage parity rates*

New York City (5 Boroughs)

Type of pay	01/01/2026	01/01/2025
Base wage	$19.65	$19.10
Benefits	$2.54	$2.54
Total	**$22.19**	**$21.64**

Nassau, Suffolk, Westchester

Type of Pay	01/01/2026	01/01/2025
Base Wage	$19.65	$19.10
Benefits	$1.67	$1.67
Total	**$21.32**	**$20.77**

** The only change announced by New York is the increase to the base wage. No change to the wage parity benefits portion has been announced. As such, we have not made any changes to the wage parity benefits portion. Please consult your legal counsel to ensure compliance with wage parity benefit requirements.*

2026 SUTA wage bases

States have begun releasing their 2026 SUTA Wage Bases. Below is a chart of the wage bases released so far.

Red textIndicates a change for 2026.

State	2026 wage base	2025 wage base
Alabama	**$8,000**	**$8,000**
Arizona	**$8,000**	**$8,000**
California	**$7,000**	**$7,000**
Colorado	**$30,600**	**$27,200**
Connecticut	**$27,000**	**$26,100**
Delaware	**$14,500**	**$12,500**
District of Columbia	**$9,000**	**$9,000**

Florida	$7,000	$7,000
Georgia	$9,500	$9,500
Illinois	$14,250	$13,916
Indiana	$9,500	$9,500
Iowa	$20,400	$39,500
Kansas	$15,100	$14,000
Kentucky	$12,000	$11,700
Louisiana	$7,000	$7,700
Maine	$12,000	$12,000
Maryland	$8,500	$8,500
Massachusetts	$15,000	$15,000
Michigan	$9,000	$9,000
Minnesota	$44,000	$43,000
Mississippi	$14,000	$14,000
Missouri	$9,000	$9,500
Montana	$47,300	$45,100
Nebraska	$9,000	$9,000
Nevada	$43,700	$41,800
New Hampshire	$14,000	$14,000
New Jersey *see details below	$44,800	$43,300
North Carolina	$34,200	$32,600
New York	$17,600	$12,800
Ohio	$9,000	$9,000
Oklahoma	$25,000	$28,200

Oregon	**$56,700**	**$54,300**
Pennsylvania	**$10,000**	**$10,000**
South Carolina	**$14,000**	**$14,000**
South Dakota	**$15,000**	**$15,000**
Texas	**$9,000**	**$9,000**
Vermont	**$15,400**	**$14,800**
Virginia	**$8,000**	**$8,000**
Washington	**$78,200**	**$72,800**
West Virginia	**$9,500**	**$9,500**
Wisconsin	**$14,000**	**$14,000**
Wyoming	**$33,800**	**$32,400**

**New Jersey Details:*

	2026	**2025**
SUTA EE/ER	**$44,800**	**$43,300**
FLI EE	**$171,100**	**$165,400**
SDI EE	**$171,100**	**$165,400**
SDI ER	**$44,800**	**$43,300**
WFD ER	**$44,800**	**$43,300**

Disclaimer: SUTA wage base laws frequently change and may have been modified since the publication of this information. Some states may have two-tiered wage bases. Please consult your tax advisor.

New York Secure Choice Program going into effect in 2026

After a long wait, New York's Secure Choice's mandatory retirement plan program is going into effect in 2026.

The New York Secure Choice Savings Program is a state-sponsored automatic-enrollment Roth IRA program for private-sector employers in New York that do not offer a qualified retirement plan (such as a 401(k), 403(b), SEP, or SIMPLE IRA). These employers will be required to register and facilitate their employees' participation in the state-sponsored retirement program.

The program will be phased in for employers in 2026 as follows:

- Employers with 30 or more employees must register by March 18, 2026
- Employers with 15–29 employees must register by May 15, 2026
- Employers with 10–14 employees must register by July 15, 2026

Once registered, employers must upload employee data, automatically enroll eligible employees (at a default contribution rate of 3% of pay unless the employee opts out or changes it), send the payroll-deducted contributions to the program, and maintain employee records. Employers are not required to make employer contributions on behalf of employees.

Enrollment of employees in the program must be automatic, but deductions will not begin until 30 days have passed. Employees can opt in and out at any time.

For more detailed information on requirements, check out our webinar here.

New NYC unpaid sick leave requirements for 2026

Effective February 22, 2026, New York City law will require employers to provide an additional 32 hours of unpaid safe and sick leave to covered employees, on top of any paid safe/sick time they already provide.

This unpaid time must be "frontloaded" at the beginning of each benefit year (and available immediately upon hire) and does *not* need to be carried over into the next year. Employers must also report unpaid safe/sick time balances to employees in pay statements or written documentation each pay period.

In addition to the unpaid leave requirement, the amended ESSTA expands the permitted uses of both paid and unpaid safe/sick leave. As of February 22, 2026, employees may also use the leave for the following:

- Caring for a minor child or other care recipient
- Participating in or preparing for a legal proceeding related to subsistence benefits or housing for themselves, a covered relation or their care recipient
- For incidents of workplace violence involving them or their family member
- For closures of the business or their child's school/child-care due to public disaster or public health emergency
- When directed by a public official to stay indoors or avoid travel during a public disaster

For more detailed information on requirements, check out our webinar here.

Minnesota paid family and medical leave

Minnesota's new Paid Leave plan is around the corner.

Under the program, most Minnesota workers will have access to paid leave to care for themselves or a family member. Beginning January 1, 2026, eligible workers will be entitled to paid leave for a variety of reasons, including to bond with a child, to care for a family member with a serious health condition, or to care for their own serious health condition.

On January 1, 2026, both employee and employer contributions to the state program will begin. The premium rate for 2026 will be 0.88%, which covers the premium for medical leave (0.61%) and family leave (0.27%). Taxable wages for 2026 are capped at $185,000. The premiums will be split between employees and their employer. Employers may withhold up to 50% of the contribution from employee wages, up to the tax rate of 0.44%.

Small employers with 30 or fewer employees pay a reduced premium of 0.66%. The maximum employee contribution rate for small employers is the same as large employers – 0.44% – leaving the remaining 0.22% to be paid by the employer.

Employers may be eligible to opt out of the state program if they have an approved equivalent plan that offers substantially equivalent benefits and protections.

Employers must notify their employees about the program no more than 30 days from the beginning date of employment, or by December 1, 2025, whichever is later. Employers must obtain a written or electronic acknowledgment of receipt of the information, or a signed statement indicating the employee's refusal to sign such acknowledgment. Employers must also display a poster in the workplace.

And be sure to check out our on-demand webinar 2026 compliance countdown: preparing for payroll and benefit changes.

This information is for educational purposes only, and not to provide specific legal advice. This may not reflect the most recent developments in the law and may not be applicable to a particular situation or jurisdiction.