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Payroll month in review for October 2026

Employment Tax Advisory Services

Vol. 4, Issue 9

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Year-end checkup: review your payroll tax account registrations

Payroll tax account registrations are necessary to establish accounts with state and local taxing authorities and workforce agencies to meet payroll-related obligations such as income tax withholding, unemployment insurance, paid family and medical leave, disability insurance, and other employment-related taxes and programs.

Registration requirements generally arise when an employer begins employing or paying wages to workers in a new jurisdiction, but they can also be triggered by changes in where employees live or work, remote-work arrangements, business expansion, acquisitions, reorganizations, or other HR and operational events.

The better the question.
The better the answer.
The better the world works.

Review your payroll tax account registrations

Because these changes can occur throughout the year, an employer's payroll tax registration footprint can quickly fall out of step with its workforce. Failing to identify and complete required registrations on a timely basis can result in late tax deposits and returns, penalties and interest, incorrect employee withholding, delayed or rejected filings, and burdensome correspondence or assessments from taxing authorities.

Conversely, registrations that are no longer required can create unnecessary filing obligations and exposure to notices or estimated assessments when expected returns are not filed.

Events that can trigger a tax registration requirement

Employer activities

- Beginning to do business in a new state or local jurisdiction with business tax and filing obligations (e.g., corporate/franchise tax, employee head tax or license fee, transit tax, sales and use tax)
- Opening a new office, store, plant, warehouse or other work location
- Acquiring or merging with another business
- Reorganizing legal entities or changing the employing entity
- Changing an entity's legal name, federal EIN, ownership or organizational structure where the jurisdiction requires a new or updated account
- Establishing sufficient nexus in a jurisdiction to create a withholding or other payroll-related filing obligation
- Beginning operations in a jurisdiction with a new employer-funded or employee-funded payroll program, such as paid family and medical leave insurance

Employee and workforce events

- Hiring the first employee in a state or locality where the employer is not already registered
- Transferring an employee to a new state/ local work location
- An employee relocating to another state/locality while continuing to work for the employer
- An employee beginning a permanent or sustained remote-work arrangement from a state/locality where the employer is not registered
- An employee performing services in a state/locality other than the employee's resident state/locality, resulting in the employee being subject to that state's nonresident withholding rules and any applicable de minimis threshold
- An employee changing residence to a different state/locality when the change affects resident withholding
- An employee regularly working across multiple states, which can require a review of both income tax withholding and social insurance (e.g., state unemployment insurance (SUI), paid family and medical leave insurance, disability insurance)
- Hiring an employee who lives in one state/locality but works in another

Review your payroll tax account registrations



Employee and workforce events, continued

- Assigning an employee to work temporarily in another state, including projects, training or extended business travel, which results in applicable withholding thresholds being reached
- The employer has elected to voluntarily withhold state/local income tax (courtesy withholding)
- Changing the location from which an employee's work is directed or controlled, which can be relevant to SUI sourcing under the U.S. Department of Labor's four prong test[1]
- An employee claiming another state as the employee's state of legal residence under the Military Spouses Residency Relief Act, potentially creating a withholding registration issue in that state[2]

[1] The US Department of Labor requires that, in determining the one state where state unemployment insurance applies, the following four-prong test be applied:

(1) Is the individual's service localized in this state or some other state?

(2) If his/her service is not localized in any state, does he/she perform some service in the state in which his/her base of operations is located?

(3) If the individual does not perform any service in the state in which his/her base of operations is located, does he/she perform any service in the state from which the service is directed and controlled?

(4) If the individual does not perform any service in the state from which his/her service is directed and controlled, does the individual perform any service in the state in which he/she lives?

[2] Always require that MSRRA-covered employees complete the required state income tax withholding for claiming state income tax relief (e.g., Form M-4-MS for Massachusetts). If no such form is available, create a template that includes all necessary information. Keep these forms in your tax files for as long as they are valid for state income tax withholding audit purposes.

Tax account registration review process

Before the start of each payroll period, employers should identify new HR-related events that could trigger tax account registration requirements and, for each event, determine whether one or more registrations are required. The review should be performed using a master list of current tax account registrations obtained from the company's tax department. A reverse process should also be performed to identify tax accounts for which there is no business or employment requirement. Be certain to comply with each taxing jurisdiction's requirements for account closings.

Review your payroll tax account registrations

Year-end reconciliation

Year-end provides an important opportunity to reconcile payroll tax registrations to the employer's current workforce and business footprint and to identify issues that could affect Form W-2 reporting.

A year-end review can help identify registration gaps, determine whether obsolete accounts should be closed, and confirm that required withholding, unemployment insurance, paid leave, disability insurance, and local payroll tax accounts are in place.

It also provides an opportunity to confirm that employees have been assigned to the correct state and local tax jurisdictions and that the related wages and withholding will be reported correctly on Forms W-2. Addressing registration and jurisdictional issues before Forms W-2 are prepared can help avoid incorrect year-end reporting, amended Forms W-2, and the need to reconcile or correct state and local payroll tax returns after year-end.

Federal developments

Social Security taxable wage base to increase in 2027

The Social Security taxable wage base will increase from $184,500 to $192,300 in 2027, higher than the $190,500 high-cost estimate projected in the 2026 Social Security Administration's *Annual Report of the Board of Trustees*.
—*Read more about this development in Tax Alert 2026-2209*

State and local income tax

2026 state supplemental, flat tax and highest income tax withholding rates with hyperlinks to the latest withholding tables/instructions (updated October 19, 2026)

Click on the link below for an updated chart of the most recent income tax withholding formulas/tables published by the states and US territories, information concerning their respective highest income tax withholding rates (based on their percentage method of withholding) or flat tax withholding rates, and, if applicable, their supplemental withholding rates.
—*2026 State income tax withholding rates*

California voters to decide on billionaire tax ballot measure in the mid-term election

California voters decided on three competing tax-related ballot measures on November 3, 2026, including Proposition 40, which would impose a one-time 5% excise tax on the net worth of certain California-resident billionaires and applicable trusts.
—*Read more about this development in Tax Alert 2026-2310*

State unemployment insurance

U.S. Virgin Islands repays its federal unemployment insurance loan; FUTA credit reduction likely averted for 2026

The Virgin Islands Department of Labor announced that it submitted the final $11,888,166 principal payment on its federal Title XII federal unemployment insurance (FUTA) loan on April 30, 2026. The U.S. Department of Labor and U.S. Treasury subsequently confirmed the payment.
—*Read more about this development in Tax Alert 2026-2238*

Other payroll developments

Alaska law allows wage payment via payroll card

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

Alaska Governor Mike Dunleavy signed into law S.B. 79, which effective July 1, 2026, creates new *AS 23.10.044 to* expressly authorize wage payment through payroll card accounts subject to detailed employee protections. Payroll cards, or prepaid debit cards, initially designed to provide instant access to wages for the millions of employees without traditional bank accounts, are growing in popularity as a way to pay wages to the entire workforce.

—Read more about this development in Tax Alert 2026-2198

District of Columbia law reduces paid family and medical leave insurance benefits starting October 1, 2026

The District of Columbia Office of Paid Family Leave (OPFL) announced changes to its paid family and medical leave insurance (PFML) program resulting from the Fiscal Year 2027 Budget Support Act of 2026 (*Bill 26-661*). Under the law, and effective October 1, 2026, the maximum duration of medical leave is reduced from 12 weeks to 10 weeks and the maximum duration of family leave is reduced from 12 weeks to six weeks.

—Read more about this development in Tax Alert 2026-2179

Washington modifies PFML premium allocation to reduce federal tax consequences

Earlier this year, Governor Bob Ferguson signed H.B. 2345 which, effective January 1, 2027, uses a technical accounting adjustment to move paid family and medical leave insurance (PFML) employer contributions from medical leave premiums to family leave premiums without affecting how the total premium is divided between employees and employers. The law was enacted in response to federal guidance concerning the tax treatment of state PFML benefits.

—*Read more about this development in Tax Alert 2026-2247*



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 Hampshire, New Mexico, Oklahoma, Oregon, Rhode Island, 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 from nonresident income tax and withholding for employees who travel across state borders for temporary periods to perform work duties.		

Federal

H.R. 10142	Status: Referred to Committee on the Judiciary (8-24-2026)	Topic: Multi-state Worker Tax Fairness Act of 2026
Would eliminate nonresident income tax withholding imposed on a state for time not physically present in the state (i.e., convenience of the employer rule).		

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.		

Colorado

Initiative 195	Status: Sufficient signatures obtained for inclusion on Nov. 3, 2026 ballot	Topic: State income tax
If approved by voters, would replace the current 4.4% flat personal income tax with a graduated tax structure.		

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

S.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.		

Bill watch for 2026

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.		

Hawaii

H.B. 2165	Status: Failed to pass before session adjournment (5-8-2026)	Topic: State unemployment insurance
Effective April 1, 2027, would require employers to report separation and wage information to the state 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.		

Illinois (Chicago)

Fiscal Year 2027 budget	Status: Chicago City Council must approve by December 31, 2026	Topic: Local payroll head tax
Effective January 1, 2027, a head tax of $25 per employee would be imposed on companies with more than 125 full-time 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: Enacted as Acts Chapter 161 (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.		

Bill watch for 2026

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.		

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	Status: Referred to Committee on Government Operations (7-15-2026)	Topic: State income tax
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

H.B. 6225	Status: Referred to Committee on Finance (8-11-2026)	Topic: State income tax
Effective January 1, 2026, the personal income tax rate would be 4.15%, 4.0% effective January 1, 2027 and 3.9% effective January 1, 2028.		

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
If approved by voters, would authorize Missouri to define taxable income by reference to federal law and establish revenue-based reductions designed to phase down and ultimately eliminate the state individual income tax.		

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.		

Bill watch for 2026

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 taxable 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 been 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 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%.		

Bill watch for 2026

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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