

US employment tax rates and limits for 2023

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Social Security wage base for 2023

The Social Security wage base will increase from \$147,000 to \$160,200 in 2023, higher than the \$155,100 high-cost and low-cost estimate published in the June 2022 Annual Report of the Board of Trustees. (See *EY Tax Alert 2022-0873*, 6-6-2022; *Social Security Administration Press Release*.)

The Medicare tax rate for 2023 remains at 1.45% of all covered earnings for employers and employees. The Additional Medicare Tax of 0.9% applies to earned income of more than \$200,000 (\$250,000 for married couples filing jointly). While employers are required to withhold the additional 0.9% on covered wages over \$200,000, there is no corresponding employer tax.

See the quick reference chart below.

For the complete Social Security Administration fact sheet, go [here](#).

Social Security, Medicare and disability insurance contributions (2022 compared with 2023)

Description	2023	2022	Increase
Social Security tax rate for employees	6.20%	6.20%	-0-
Social Security tax rate for employers	6.20%	6.20%	-0-
Social Security wage base	\$160,200	\$147,000	\$ 13,200
Maximum Social Security tax for employees	\$ 9,932.40	\$ 9,114	\$ 818.40
Medicare tax rate for employers	1.45%	1.45%	-0-
Medicare tax rate for employees	1.45%*	1.45%	-0-
Medicare tax rate for employees on wages above \$200,000*	2.35% (1.45% Medicare +0.9% Additional Medicare)	2.35% (1.45% Medicare +0.9% Additional Medicare)	-0-
Medicare wage base	No limit	No limit	N/A

* Employers must withhold the Additional Medicare Tax of 0.9% of wages over \$200,000. There is no corresponding employer tax.



Qualified pension plan limits for 2023

The dollar limitations for qualified retirement and certain non-qualified plans that become effective January 1, 2023, have been released by the IRS in [Notice 2022-55](#).

The dollar limitations adjusted by reference to IRC Section 415(d) are modified annually for inflation and, consequently, most of them are changed for 2023.

Of note, the 2023 pretax limit that applies to elective deferrals to 401(k), 403(b) and most 457(b) plans increased from \$20,500 to \$22,500. The dollar limitation for catch-up contributions for participants aged 50 and older also increased from \$6,500 to \$7,500.

Plan participants in qualified retirement plans will need to consider the impact of the dollar limitations for 2023 in their overall financial planning.

A summary of some of the cost-of-living adjustments applicable to dollar limitations for qualified retirement plans and other items for 2023 is provided at right. These amounts are also posted on the IRS website in a [convenient historical table](#).

Qualified retirement plan limitations (2023 compared with 2022)

Description	2023 limit	2022 limit
Participant pretax contribution limit for 401(k) and 403(b) plans IRC §402(g)(1)	\$22,500	\$20,500
Deferral limit for deferred compensation plans of state and local governments and tax-exempts IRC §457(e)(15)	\$22,500	\$20,500
Dollar limitation for catch-up contributions for participants age 50 and older in 401(k), 403(b), governmental 457 plans and Simplified Employee Pensions (SEPs) IRC §414(v)(2)(B)(i)	\$7,500	\$6,500
Dollar limitation for catch-up for contributions for participants age 50 and older in a SIMPLE* IRA or a SIMPLE 401(k) IRC §414(v)(2)(B)(ii) *(Savings Incentive Match Plan for Employees of Small Employers)	\$3,500	\$3,000
Defined benefit plan limit ¹ IRC §415(b)(1)(A)	\$265,000	\$245,000
Defined contribution plan limit IRC §415(c)(1)(A)	\$66,000	\$61,000
Maximum ESOP account balance subject to a 5-year distribution period/ increments for additional year IRC §409(o)(1)(C)(ii)	\$1,330,000/ \$265,000	\$1,230,000/ \$245,000
Highly compensated employee dollar threshold IRC §Section 414(q)(1)(B)	\$150,000	\$135,000

Description	2023 limit	2022 limit
Definition of key employee in a top-heavy plan – officer compensation threshold IRC §416(i)(1)(A)(i)	\$215,000	\$200,000
Annual limit on includible compensation for benefits and allocations ² IRC §§401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D)(ii)	\$330,000	\$305,000
SEP employee participation floor IRC §408(k)(2)(C)	\$750	\$650
Simple retirement accounts contribution limit IRC §408(p)(2)(E)	\$15,500	\$14,000
Compensation amount of control employees for fringe benefit valuation purposes Treas. Reg. §1.61-21(f)(5)(i) and (iii)	\$130,000/\$265,000	\$120,000/\$245,000

Footnotes

¹ For a participant who separated from service before January 1, 2023, the participant's limitation under a defined benefit plan under IRC §415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2022, by 1.0833.

² For eligible participants in certain governmental plans that allow cost-of-living adjustments to the compensation limit to be considered, that limit is increased to \$490,000 for 2023, up from \$450,000 in 2022.



Health Savings Account limits for 2022 and 2023

It's time to review HSA and other employee health spending account benefits

HRA- and HSA-eligible health plans constitute what are called “consumer-driven” health plans (CDHPs) because they give employees the choice of electing health plan options that best meet their projected out-of-pocket medical expenses. CDHPs also raise payroll challenges because the rules governing each of these medical reimbursement account options (Flexible Spending Account (FSA), HRA, HSA and Medical Savings Account (MSA)) is unique in terms of their tax treatment and reporting.

How companies name their health plans may not clearly communicate the type of medical reimbursement vehicle that applies, causing time-consuming and potentially costly errors in payroll system configurations.

To avoid tax and reporting errors, now is a good time to review employee elections and how they are being handled in your payroll system.

In [Rev. Proc. 2021-25](#), the IRS announced the inflation adjustments that will apply to Health Savings Accounts (HSAs) under IRC §223 effective for calendar year 2023.

HSA limit type	2023	2022
Contribution*		
Self (IRC §223(b)(2)(A))	\$3,850	\$3,650
Family (IRC §223(b)(2)(B))	\$7,750	\$7,300
Out-of-pocket		
Self (IRC §223(c)(2)(A))	\$7,500	\$7,050
Family (IRC §223(c)(2)(A))	\$15,000	\$14,100
Deductible (high-deductible health plan)		
Self (IRC §223(c)(2)(A))	\$1,500	\$1,400
Family (IRC §223(c)(2)(A))	\$3,000	\$2,800

* An additional contribution of \$1,000 is permitted for individuals age 55 and older. Those enrolled in Medicare are not eligible to participate. For plan years beginning in 2023, the maximum amount that may be made newly available for the plan year for an excepted Health Reimbursement Arrangement (HRA) under §54.9831-1(c)(3)(viii) is \$1,950.

Form W-2 reporting reminder

Employer contributions and employee pre-tax contributions to an HSA are required to be reported on Form W-2, box 12, Code W. Employer and employee pretax contributions that when combined exceed the annual calendar year limit are required to be treated as taxable wages and reported in Form W-2, boxes 1, 3 (up to the Social Security limit) and 5. ([2023 Form W-2 instructions, page 11.](#))



2023 inflation adjustments for fringe benefits and Form W-2 penalties

In [Revenue Procedure 2022-38](#), the IRS announced the 2023 inflation adjustments that will apply to certain fringe benefits and to Form W-2/1099 information reporting penalties.

Medical Savings Account limits go up in 2023

Summarized below are the 2023 limits that apply to a Medical Savings Account under IRC § 220(c)(2)(A).

Provision	Self-only coverage	Family coverage
High-deductible health plan: annual deductible	Not less than \$2,650 (up from \$2,450 in 2022) and not more than \$3,950 (up from \$3,700 in 2022)	Not less than \$5,300 (up from \$4,950 in 2022) and not more than \$7,900 (up from \$7,400 in 2022)
Annual out-of-pocket (other than for premiums)	Not to exceed \$5,300 (up from \$4,950 in 2022)	Not to exceed \$9,650 (up from \$9,050 in 2022)

Adoption assistance limit goes up in 2023

The limit on qualified adoption assistance (including benefits provided for special needs children) under IRC Section 137 for 2023 is \$15,950, up from \$14,890 in 2022.

For 2023, the amount excludable from an employee's gross income begins to phase out under IRC Section 137(b)(2)(A) for taxpayers with modified adjusted gross income of more than \$239,230 and is completely phased out for taxpayers with modified adjusted gross income of \$279,230 or more.

Health Flexible Spending Account limit goes up in 2023

The 2023 annual limit on pretax contributions employees can make toward their health Flexible Spending Account through a cafeteria plan under IRC §125(i) is \$3,050, up from \$2,850 in 2022.

Transportation fringe benefits (parking and transit) limit goes up in 2023

The 2023 monthly limit on parking benefits under IRC §132(f)(2)(B) is \$300, up from \$280 in 2022.

The 2023 aggregate monthly limit for transportation in a commuter highway vehicle and any transit pass under IRC §132(f)(2)(A) is also \$300, up from \$280 in 2022.



2023 inflation adjustments for fringe benefits and Form W-2 penalties

Continued

Foreign earned income exclusion increases for 2023

For taxable years beginning in 2023, the foreign earned income exclusion amount under IRC §911(b)(2)(D)(i) is \$120,000, up from \$112,000 in 2022.

Reporting penalties for Forms W-2/1099 increase for tax year 2023

The penalties that apply to late or incorrect Forms W-2 are indexed each year for inflation. Following are the penalties that apply to late or incorrect Forms W-2 required to be furnished to employees and/or filed with the Social Security Administration for tax year 2023 (filed in 2024).

§6721 Failure to timely file an accurate information return with IRS (for returns required to be filed in 2024)				
Filed/corrected				
On or after	On or before	Penalty	Maximum	Maximum small employer
January 1	January 31	\$0	N/A	N/A
February 1	February 28	\$60	\$630,500	\$220,500
March 1	August 1	\$120	\$1,891,500	\$630,500
August		\$310	\$3,783,000	\$1,261,000
	Intentional disregard	\$630	No limit	No limit

§6722 Failure to timely furnish an accurate employee statement (for returns required to be filed in 2024)				
Filed/corrected				
On or after	On or before	Penalty	Maximum	Maximum small employer
January 1	January 31	\$0	N/A	N/A
February 1	February 28	\$60	\$630,500	\$220,500
March 1	August 1	\$120	\$1,891,500	\$630,500
August 1		\$310	\$3,783,000	\$1,261,000
	Intentional disregard	\$630	No limit	No limit

Federal mileage rates and luxury vehicle limit for 2023

Effective January 1, 2023, the business standard mileage rate for use of a car (including vans, pickup trucks and panel trucks) increases from \$0.625 to \$0.655, and the rate for medical and relocation mileage remains unchanged at \$.0220. Mileage related to charity is set by law and remains at \$0.14 per mile. ([Notice 2023-3](#); [Announcement 2022-13](#); [Notice 2022-03](#))

It is important to note that under the Tax Cuts and Jobs Act, taxpayers cannot claim a miscellaneous itemized deduction for unreimbursed employee travel expenses. Taxpayers also cannot claim a deduction for moving expenses incurred after December 31, 2017, except members of the Armed Forces on active duty moving under orders to a permanent change of station.

Luxury vehicle limit for 2023

Pursuant to the vehicle valuation limit that applies to use of the optional fleet-average and vehicle cents-per-mile valuation methods, the maximum fair market value of the vehicle (including trucks and vans) first made available to employees in calendar year 2023 increased from \$56,100 to \$60,800.

Summary of mileage rates (2022 compared with 2023)

Type of mileage	Effective January 1, 2023	Effective July 1, 2022	Effective January 1, 2022
Business standard	\$0.655	\$0.625	\$0.585
Charity	\$0.140	\$0.140	\$0.140
Relocation and medical	\$0.220	\$0.220	\$0.180



Per diem rates under high-low substantiation method for 2023

In [Notice 2022-088](#), the IRS released the per diem reimbursement rates that will apply effective October 1, 2022 (or, optionally, January 1, 2023). The per diem reimbursement rate for high-cost areas increases from \$296 to \$297 and from \$202 to \$204 for low-cost areas. There were also numerous changes to the areas that qualify as high cost.

Description	High-cost area	Low-cost area
Lodging, meals and incidentals	\$297 (was \$296)	\$204 (was \$202)
Meals and incidentals only	\$74 (no change)	\$64 (no change)
Incidental expenses only	\$5 (no change)	\$5 (no change)

The special meals and incidental expense (M&IE) rates for taxpayers in the transportation industry are \$69 (up from \$66) for any locality of travel in the continental United States (CONUS) and \$74 (up from \$71) for any locality of travel outside the continental United States (OCONUS). (See [Revenue Procedure 2019-48](#).)

Note that transportation between places of lodging or business and places where meals are taken, and the mailing cost of filing travel vouchers and paying employer-sponsored charge card billings, are no longer included in incidental expenses.

The per diem rates for each locality of travel in the continental United States (CONUS) can be found on the General Services Administration [website](#). Per diem rates for travel outside of the continental United States (OCONUS) are available on the U.S. Department of Defense [website](#). Foreign per diem rates can be found on the U.S. Department of State [website](#).

High-cost localities of travel under the high-low substantiation method (effective October 1, 2022)

Key	County/other defined location
Alabama	
Gulf Shores (June 1–July 31)	Baldwin
Arizona	
Phoenix/Scottsdale (Feb. 1–March 31)	Maricopa
Sedona (Oct. 1–Sept. 30)	City limits of Sedona
California	
Los Angeles (Oct. 1–Oct. 31 and Jan. 1–Sept. 30)	Los Angeles, Orange, Ventura and Edwards AFB, but not Santa Monica
Mill Valley/San Rafael/Novato (Oct. 1–Oct. 31 and June 1–Sept. 30)	Marin
Monterey (June 1–Aug. 31)	Monterey
Napa (Oct. 1–Sept. 30)	Napa
Oakland (Oct. 1–Sept. 30)	Alameda
San Diego (Feb. 1–Aug. 31)	San Diego
San Francisco (Oct. 1–Sept. 30)	San Francisco
San Luis Obispo (June 1–Aug. 31)	San Luis Obispo
San Mateo/Foster City/Belmont (Oct. 1–Sept. 30)	San Mateo
Santa Barbara (Oct. 1–Sept. 30)	Santa Barbara
Santa Monica (Oct. 1–Sept. 30)	City limits of Santa Monica
Sunnyvale/Palo Alto/San Jose (Oct. 1–Sept. 30)	Santa Clara

Key	County/other defined location
Colorado	
Aspen (Oct. 1–March 31 and June 1–Sept. 30)	Pitkin
Denver/Aurora (Oct. 1–Oct. 31 and April 1–Sept. 30)	Denver, Adams, Arapahoe and Jefferson
Durango (June 1–Sept. 30)	La Plata
Grand Lake (Dec. 1–March 31)	Grand
Silverthorne/Breckenridge (Oct. 1–March 31 and June 1–Sept. 30)	Summit
Steamboat Springs (Dec. 1–March 31)	Routt
Telluride (Oct. 1–Sept. 30)	San Miguel
Vail (Oct. 1–Sept. 30)	Eagle
Delaware	
Lewes (July 1–Aug. 31)	Sussex
District of Columbia	
Washington, DC (Oct. 1–Sept. 30)	Also, the cities of Alexandria, Falls Church and Fairfax and the counties of Arlington and Fairfax in Virginia; and the counties of Montgomery and Prince George's in Maryland (see also Maryland and Virginia)

Key	County/other defined location
Florida	
Boca Raton/Delray Beach/ Jupiter (Dec. 1–April 30)	Palm Beach and Hendry
Bradenton (Feb. 1–March 31)	Manatee
Cocoa Beach (Feb. 1–March 31)	Brevard
Fort Lauderdale (Oct. 1–April 30)	Broward
Fort Myers (Feb. 1–March 31)	Lee
Fort Walton Beach/ DeFuniak Springs (Oct. 1–Oct. 31 and March 1–Sept. 30)	Okaloosa and Walton
Gulf Breeze (June 1–July 31)	Santa Rosa
Key West (Oct. 1–Sept. 30)	Monroe
Miami (Dec. 1–March 31)	Miami–Dade
Naples (Dec. 1–April 30)	Collier
Panama City (June 1–July 31)	Bay
Pensacola (June 1–July 31)	Escambia
Punta Gorda (Feb. 1–March 31)	Charlotte
Sarasota (Feb. 1–April 30)	Sarasota
Sebring (Feb. 1–March 31)	Highlands
Stuart (Feb. 1–March 31)	Martin
Vero Beach (Dec. 1–April 30)	Indian River

Per diem rates under high-low substantiation method for 2023

Continued

Key	County/other defined location
Georgia	
Jekyll Island/Brunswick (March 31–July 31)	Glynn
Idaho	
Sun Valley/Ketchum (Dec. 1–March 31 and June 1–Sept. 30)	Blaine and Elmore
Illinois	
Chicago (Oct. 1–Nov. 30 and April 1–Sept. 30)	Cook and Lake
Maine	
Bar Harbor/Rockport (Oct. 1–Oct. 31 and July 1–Sept. 30)	Hancock and Knox
Kennebunk/Kittery/Sanford (July 1–Aug. 31)	York
Portland (July 1–Aug. 31)	Cumberland and Sagadahoc
Maryland	
Ocean City (July 1–Aug. 31)	Worcester
Washington, DC Metropolitan Area (Oct. 1–Sept. 30)	Montgomery and Prince George's
Massachusetts	
Boston/Cambridge (Oct. 1–Sept. 30)	Suffolk, City of Cambridge
Falmouth (May 1–Aug. 31)	City limits of Falmouth
Hyannis (July 1–Aug. 31)	Barnstable, less the city of Falmouth
Martha's Vineyard (Oct. 1–Sept. 30)	Dukes
Nantucket (Oct. 1–Sept. 30)	Nantucket

Key	County/other defined location
Michigan	
Mackinac Island (July 1–Aug. 31)	Mackinac
Petoskey (July 1–Aug. 31)	Emmet
Traverse City (July 1–Aug. 31)	Grand Traverse
Minnesota	
Duluth (Oct. 1–Oct. 31 and June 1–Sept. 30)	St. Louis
Montana	
Big Sky/West Yellowstone/Gardiner (June 1–Sept. 30)	Gallatin and Park
Kalispell/Whitefish (July 1–Aug. 31)	Flathead
New Jersey	
Toms River (July 1–Aug. 31)	Ocean
New Mexico	
Carlsbad (Oct. 1–Sept. 30)	Eddy
New York	
Glens Falls (July 1–Aug. 31)	Warren
Lake Placid (July 1–Aug. 31)	Essex
New York City (Oct. 1–Dec. 31 and March 1–Sept. 30)	Bronx, Kings, New York, Queens and Richmond
North Carolina	
Kill Devil Hills (April 1–Sept. 30)	Dare

Key	County/other defined location
Oregon	
Lincoln City (July 1–Aug. 31)	Lincoln
Portland (Oct. 1–Oct. 31 and June 1–Sept. 30)	Multnomah
Seaside (July 1–Aug. 31)	Clatsop
Pennsylvania	
Hershey (June 1–Aug. 31)	Hershey
Philadelphia (Oct. 1–Nov. 30, March 1– June 30 and Sept. 1–Sept. 30)	Philadelphia
Rhode Island	
Jamestown/Middletown/ Newport (Oct. 1–Oct. 31 and June 1–Sept. 30)	Newport
South Carolina	
Charleston (Oct. 1–Sept. 30)	Charleston, Berkeley and Dorchester
Hilton Head (June 1–Aug. 31)	Beaufort
Myrtle Beach (June 1–Aug. 31)	Horry
Tennessee	
Nashville (Oct. 1–Sept. 30)	Davidson
Utah	
Moab (Oct. 1–Oct. 31 and March 1–Sept. 30)	Grand
Park City (Oct. 1–Sept. 30)	Summit

Key	County/other defined location
Virginia	
Virginia Beach (June 1–Aug. 31)	City of Virginia Beach
Wallops Island (July 1–Aug. 31)	Accomack
Washington, DC metro area (Oct. 1–Sept. 30)	Cities of Alexandria, Fairfax, and Falls Church; counties of Arlington and Fairfax
Vermont	
Manchester (Oct. 1–Sept. 30)	Bennington
Washington	
Port Angeles/Port Townsend (July 1–Aug. 31)	Clallam and Jefferson
Seattle (Oct. 1–Sept. 30)	King
Vancouver (Oct. 1–Oct. 31 and June 1–Sept. 30)	Clark, Cowlitz and Skamania
Wyoming	
Cody (June 1–Sept. 30)	Park
Jackson/Pinedale (Oct. 1– Sept. 30)	Teton and Sublette

2021 and 2022 FUTA credit reduction

2021 FUTA credit reduction for the U.S. Virgin Islands

Because a loan balance was still outstanding on November 10, 2021, Virgin Islands employers will pay a Federal Unemployment Tax Act (FUTA) tax rate for calendar year 2021 of 3.9%, composed of a FUTA credit reduction rate of 3.3% and the 0.6% minimum FUTA tax rate.

As has occurred in previous years, the territory requested a waiver of, and was approved for, the additional benefit-cost ratio (BCR) for 2021. Had the waiver not been approved, the total FUTA tax rate for Virgin Islands employers would have been 4.2%.

The additional FUTA taxes will be used to pay down Virgin Islands' federal UI loan balance. The increased 2021 FUTA taxes will be due from Virgin Islands employers with their fourth-quarter 2021 FUTA tax deposit (Form 940) due February 1, 2022.

2021 FUTA credit reduction rates

State	First year of loan	2020 FUTA credit reduction	2020 total FUTA rate	2021 FUTA credit reduction	2021 benefit cost ratio (BCR) add-on ¹	2021 total FUTA rate ²
Virgin Islands	2009	2.7%	3.3%	3.0%	0.0%	3.6%

¹ BCR of 0.7% waived by the USDOL. The 2.7 (not a percentage) add-on could have applied because the BCR add-on was waived; however, this was not the case for 2021.

² Total FUTA rate includes the FUTA credit reduction and 0.6% minimum net FUTA rate.

2022 FUTA credit reduction for states and the U.S. Virgin Islands

Employers will be subject to a FUTA tax rate of 0.9% for tax year 2022 for the below states because they had outstanding federal unemployment insurance loan balances on November 10, 2022. Note that the U.S. Virgin Islands has a higher net FUTA rate because it has had a federal loan balance since 2009. (*U.S. Department of Labor [Final 2022 FUTA Credit Reductions](#)*.)

The added tax is paid with the 2022 Form 940 due January 31, 2023.

Jurisdiction	First year of loan	Federal UI loan balance as of November 10, 2022, per Treasury Direct	Net 2022 FUTA rate
California	2020	\$17,987,664,492.91	0.9%
Connecticut	2020	\$64,330,076.23	0.9%
Illinois	2020	\$1,362,645,002.82	0.9%
New York	2020	\$7,743,501,256.75	0.9%
Virgin Islands	2009	\$95,854,314.07	4.2%

State unemployment insurance wage bases and tax rates for 2023

Highlights

2023 wage bases

1. Close to half of the jurisdictions had a flexible state unemployment insurance (SUI) wage base in 2022, meaning that the wage base can increase each year. In the remaining jurisdictions, the wage base is set, requiring legislation to change it.
2. Due to legislation enacted in 2020, the Colorado SUI wage base increased by 20% for 2023, the highest increase of all the jurisdictions.
3. Arizona legislation increased the set wage base from \$7,000 to \$8,000 starting in 2023.
4. Only five jurisdictions have lowered their wage base for 2023: Arkansas, Delaware, Missouri, Vermont, and the Virgin Islands.

2023 tax rates

5. For the first time in many years, Pennsylvania has increased the employee SUI contribution from 0.06% to 0.07% for 2023. The tax applies to all covered wages and not just to the first \$10,000. (See *EY Tax Alerts 2022-1883* and *2022-1874*.)
6. Alaska decreased the employee SUI contribution for 2023, from 0.56% to 0.51%, with the 2023 wage base increasing to \$47,100.
7. Despite ongoing demands on the SUI trust funds, most states had no change in their base SUI tax rates from 2022 or have lowered their base tax rates for 2023. By comparison, only a few states raised their base tax rates for 2023.

SUI wage bases

SUI trust funds are largely financed by employer contributions (in Alaska, New Jersey and Pennsylvania, employees also make contributions). States are required to maintain an SUI taxable wage base of no less than the limit set under the Federal Unemployment Tax Act (FUTA). The 2023 FUTA wage limit of \$7,000 has remained unchanged since 1983 despite increases in the federal minimum wage and annual cost-of-living adjustments over the last 40 years.

Some states are conservative in their approach to maintaining adequate SUI trust fund reserves. Consequently, the SUI wage base is flexible in those states, meaning it is indexed to the average wage or varies based on the trust fund balance. According to the U.S. Department of Labor, in 2022, 25 jurisdictions had a flexible wage base. (*U.S. Department of Labor, Comparison of State Unemployment Laws-2022, December 2022*.)

For a comparison of the 2022 and 2023 SUI wage bases and percentage of increase/decrease, if applicable (as of December 19, 2022), see *EY Tax Alert 2022-1913*.

For information concerning the state minimum wage effective January 1, 2023, see *EY Tax Alert 2022-1930*.

SUI tax rates

The COVID-19 emergency put a strain on SUI trust funds, and that could have resulted in across-the-board increases in employer SUI taxes. Many jurisdictions avoided that outcome because they deposited federal COVID-19 stimulus funds into their unemployment insurance (UI) trust funds and/or enacted legislation to reduce the impact on employer tax rates caused by the reduction in their trust funds. In addition, most jurisdictions relieved employers of regular COVID-19 UI benefits during at least a part of the pandemic, and some continue to provide this relief, further reducing the impact of COVID-19 unemployment insurance benefits on individual employer tax rates.

See the footnotes in the following chart for details about special actions some states took to lessen increases in their SUI tax rates and/or wage bases in 2023.

Employer SUI cost outlook for 2023

To assist you in forecasting your SUI costs for 2023, following is a chart of the 2023 SUI wage bases and 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 2023 SUI rate notices were or will be available.

State unemployment insurance wage bases and tax rates for 2023

Continued

A preliminary look at SUI wage bases and tax rates for 2023 (as of August 25, 2023)

Note that the hyperlinks on the jurisdiction name point to the source of the SUI tax rate information.

(SUI rate information that is highlighted in gray is for 2022 because the 2023 information is not yet available. Wage base information for 2023 is complete unless "TBD" or "EST" is indicated. Information concerning the mailing of 2023 rate notices was not yet available at the time of this printing if highlighted in turquoise.)

State	2023 taxable wage base	2023 range of SUI tax rates for merit-rated employers ¹	2023 rate for new employers ⁶	2023 employee rate	2023 surcharge not reported on Form 940 ²
Alabama ^{*5} (2023 rate notice mailed 12-13-22)	\$8,000	0.14-5.34%↓	2.7%	None	0.06% ³ (Employment Security Enhancement Assessment or ESA)
Alaska ⁷ (2023 rate notice mailed 12-1-22)	\$47,100↑	1.0-5.4%	Varies	0.51%↓	None
Arizona ^{*5} (2023 rate notice mailed 12-30-22)	\$8,000↑	0.07-18.78%↓	2%	None	None
Arkansas [*] (2023 rate notice mailed 12-21-22)	\$7,000↓	0.3-14.2%	3.1%	None	None
California ⁵ (2023 rate notice mailed 12-30-22)	\$7,000	1.5-6.2%	3.4%	None	0.1% ³ (Employment Training Tax or ETT)
Colorado ^{*5} (2023 rate notice mailed 11-30-22)	\$20,400↑	0.75-10.39%	1.7% (building 1.86-6.82%↓)	None	None
Connecticut ^{*5} (2023 rate notice mailed 12-30-22)	\$15,000	1.7-6.6%↓	2.8%↓	None	None
Delaware [*] (2023 rate notice mailed 2-7-23)	\$10,500↓	0.10-5.40%↓	1.0%↓ (building rate varies)	None	0.15% ³ ↑ (special training tax assessment)
District of Columbia ^{5,7} (2023 rate notice mailed 1-24-2023)	\$9,000	1.9-7.4%	2.7%	None	0.2% ³ (special training tax assessment)

State	2023 taxable wage base	2023 range of SUI tax rates for merit-rated employers ¹	2023 rate for new employers ⁶	2023 employee rate	2023 surcharge not reported on Form 940 ²
Florida ^{*5} (2023 rate notice mailed 12-22-22)	\$7,000	0.1-5.4%	2.7%	None	None
Georgia ^{*5} (2023 rate notice mailed 1-3-23)	\$9,500	0.06-8.1%↑	2.7%↑	None	0.00% ³ (Administrative Assessment)
Hawaii [*] (2023 rate notice mailed 3-15-23)	\$56,700↑	1.2%-6.2% ↑	4.0%↑	None	0.01% ³ (Employment and Training (E&T) Assessment Rate)
Idaho [*] (2023 rate notice mailed 12-15-22)	\$49,900↑	0.207-5.4%	0.97%	None	3% of tax rate ³ (Workforce Development Surcharge)
Illinois (2023 rate notice mailed 1-5-23)	\$13,271↑	0.850-8.650%↑	3.950%↑ (no special industry rates)	None	None
Indiana ^{*5} (2023 rate notice mailed 12-15-22)	\$9,500	0.5-7.4%	2.5% (1.6% government, building rate varies)	None	0.0% (solvency surcharge)
Iowa [*] (2023 rate notice mailed 11-21-22)	\$36,100↑	0-7.0%↓	1% (building 7.0%↓)	None	None
Kansas ^{*5} (2023 rate notice mailed 11-10-22)	\$14,000	0.17-6.4%↓	2.7% (building 6%)	None	0.0% (Fund building surcharge)
Kentucky [*] (2023 rate notice mailed 12-15-22)	\$11,100↑	0.3%-9.0%	2.7% (building 9.0%)	None	The 0.075% Service Capacity Upgrade Fund Tax (SCUF) is reactivated for 2023.
Louisiana [*] (2023 rate notice mailed 12-28-2022)	\$7,700	0.09-6.2%	Varies	None	Varies ⁴ (Incumbent Worker Training Program and Integrity Social Charge Fund rates)

State unemployment insurance wage bases and tax rates for 2023

Continued

State	2023 taxable wage base	2023 range of SUI tax rates for merit-rated employers ¹	2023 rate for new employers ⁶	2023 employee rate	2023 surcharge not reported on Form 940 ²
Maine ^{*5} (2023 rate notice mailed 12-29-22)	\$12,000	0.0-5.47%↓	1.97%↓	None	0.07% ³ (Competitive Skills Scholarship Fund or CSSF) 0.15% ³ ↑ (Unemployment Program Administrative Fund or UPAF)
Maryland ^{*5} (2023 rate notice mailed 1-17-2023)	\$8,500	1-10.5%	2.3% (building 5.1%↓)	None	None
Massachusetts ⁵ (2023 rate notice mailed 12-20-22)	\$15,000	0.56-8.62%↓	1.45%↓ (building 5.5%↓)	None	0.056% ³ (Workforce Training Fund or WTF)
Michigan [*] (2023 rate notice mailed 12-29-22)	\$9,500	0.06-10.3%	2.7% (building 5.0%)	None	None
Minnesota [*] (2023 rate notice mailed 12-8-22)	\$40,000↑	0.01↑-8.9%	Varies by industry with rates ranging from 1.0% to 8.90%	None	0.1% (Workforce Development Assessment) 0.0% ³ ↓ (Federal interest assessment)
Mississippi ^{*5} (2023 rate notice mailed 4-26-2023)	\$14,000	0-5.4%↑	1%, 1.1%, 1.2%	None	0.2% ³ (Workforce investment, Mississippi Works, and Workforce Enhancement Training surcharges)
Missouri [*] (2023 rate notice mailed 12-5-22)	\$10,500↓	0-5.4%	2.511%↑ (nonprofit/public 1%)	None	0.2% ³ ↑ (Unemployment Automation Adjustment, new in 2023)
Montana (2023 rate notice mailed 12-20-22)	\$40,500↑	0-6.12%	Varies (1.0%-2.2%)↓	None	0.13%-0.18% ⁴ (Administrative Fund Tax or AFT)

State	2023 taxable wage base	2023 range of SUI tax rates for merit-rated employers ¹	2023 rate for new employers ⁶	2023 employee rate	2023 surcharge not reported on Form 940 ²
Nebraska ^{*5} (2023 rate notice mailed 12-6-22)	\$9,000/\$24,000	0-5.4%	1.25% (building 5.4%)	None	5% of SUI tax rate ³ (State unemployment insurance tax (SUIT) surcharge)
Nevada (2023 rate notice mailed 1-6-23)	\$40,100↑	0.25-5.4%	2.95%	None	0.05% ³ (Career Enhancement Program (CEP) surcharge)
New Hampshire ^{5,8} (Rate notices for fiscal year 2024 mailed on 9-1-23) Rates may change each quarter.	\$14,000	0.1-8.5% (effective 7-1-23 to 6-30-24)	2.7% (effective 7-1-23 to 6-30-24)	None	0.4% ³ (Administrative Surcharge or AC)
New Jersey ^{*8} (Rate notices for fiscal year 2024 mailed on 8-23-23)	\$41,100↑	1.2%-7.0%↑ (effective 7-1-23 to 6-30-24)	3.4%↑ (effective 7-1-23 to 6-30-24)	0.425%	0.1% ⁴ (Workforce Development Fund) 0.0175% ⁴ (Supplemental Workforce Fund)
New Mexico [*] (2023 rate notice mailed on 11-22-22)	\$30,100↑	0.33-6.4%	1% (or industry average if higher)	None	None
New York [*] (2023 rate notice mailed on 2-8-23)	\$12,300↑	2.025-9.825↓	4.025%↑	None	0.075% ³ (Reemployment Services Fund Surcharge) 0.23% ³ (Interest Assessment Surcharge)
North Carolina [*] (2023 rate notice mailed on 11-14-22)	\$29,600↑	0.06-5.76%	1.0%	None	None
North Dakota [*] (2023 rate notice mailed on 12-8-22)	\$40,800↓	0.08-9.97%↑	1.13%↑, 9.97%↑ (building 9.97%↑)	None	None

State unemployment insurance wage bases and tax rates for 2023

Continued

State	2023 taxable wage base	2023 range of SUI tax rates for merit-rated employers ¹	2023 rate for new employers ⁶	2023 employee rate	2023 surcharge not reported on Form 940 ²
Ohio ^{*5} (2023 rate notice mailed on 11-6-22)	\$9,000	0.8-10.3%↑	2.7% (building 5.6%↑)	None	None
Oklahoma [*] (2023 rate notice mailed on 9-30-22)	\$25,700↑	0.3-9.2%	1.5%	None	The OESC Technology Reinvestment Assessment , which was 5% of the SUI tax rate, expired December 31, 2022
Oregon [*] (2023 rate notice mailed on 11-15-22)	\$50,900↑	0.7-5.4%↓	2.1%↓	None	0.12%↑ for quarter 1 and 0.09% for quarters 2-4 ³ (Special Payroll Tax Offset)
Pennsylvania ⁵ (2023 rate notice mailed on 12-31-22)	\$10,000	1.4190-10.3734%↑	3.8220%↑ (building 10.5924%↑)	0.07%↑	0.00% (Interest tax factor for bonds sold to repay the federal UI loan)
Puerto Rico [*] (2023 rate notice mailed on 12-15-22)	\$7,000	2.4-5.4%↑	3.3%↑	None	
Rhode Island [*] (2023 rate notice mailed on 1-18-23)	\$28,200/29,700↑	0.68-9.28%↓	0.88%↓	None	0.21% ³ (Job Development Fund or JDF)
South Carolina (2023 rate notice mailed on 11-10-22)	\$14,000	0-5.4%	0.39%↓	None	0.06% ³ (Contingency Surcharge) 0.00% ³ (Solvency Surcharge)
South Dakota [*] (2023 rate notice mailed on 11-2-22)	\$15,000	0-9.3%	1.2%, 1.0% (building 6%, 3%)	None	0.02% ³ (Administrative Fee Surcharge) 0-0.55% ³ (Investment Fee)
Tennessee ^{*8} (Rate notices for fiscal year 2024 mailed in August 2023)	\$7,000	0.01-10% (effective 7-1-23 to 6-30-24)	2.7% (no special industry rate) (effective 7-1-23 to 6-30-24)	None	None

State	2023 taxable wage base	2023 range of SUI tax rates for merit-rated employers ¹	2023 rate for new employers ⁶	2023 employee rate	2023 surcharge not reported on Form 940 ²
Texas ⁵ (2023 rate notice mailed 1-6-23)	\$9,000	0.23-6.23%↓	2.7% (or industry average if higher)	None	0.10% ³ (Employment & Training Investment Assessment) 0.00%↓ ³ (Bond Obligation Assessment Rate)
Utah * (2023 rate notice mailed on 11-17-22)	\$44,800↑	0.3-7.3%	1.0-7.3%	None	None
Vermont * ⁸ (Rate notices for fiscal year 2024 mailed on 6-27-23)	\$13,500↓	0.4%-5.4% (effective 7-1-23 to 6-30-24)	1% (varies for certain industries) (effective 7-1-23 to 6-30-24)	None	None
Virgin Islands * 24 V.I.C. §308 (2023 rate notice mailed 1-16-2023)	\$30,200↓	2.5-5.4%↑	2%	None	\$25 per employee
Virginia * ⁵ (2023 rate notice mailed 12-9-22)	\$8,000	0.33-6.43%	2.5%↓ (Foreign contractor 6.2%)	None	None
Washington * (2023 rate notice mailed on 12-14-22)	\$67,600↑	0.24-5.78%↓ The 2023 average tax rate is 1.43%↑	90% of the industry average and a minimum of 1.0%	None	0.03% ³ (Employer Administrative Fund or EAF)
West Virginia * (2023 rate notice mailed on 12-9-22)	\$9,000	1.5-8.5%	2.7% (building 8.5%)	None	None
Wisconsin * ⁵ (2023 rate notice mailed on 10-11-22)	\$14,000	0.0-12% (small employer); 0.05-12% (large employer)	3.05% (small employer); 3.25% (large employer) (building 2.90%, 3.10%↑)	None	None
Wyoming * (Rate notice mailed 12-30-22)	\$29,100↑	0%-8.64%↓	Varies	None	0.06% ³ ↓ (Employment Support Fund Factor)

State unemployment insurance wage bases and tax rates for 2023

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Footnotes:

- * See state-specific note below.
- ** Much of the information in this survey was obtained through review of state revenue/workforce department administrative guides or informational telephone or email surveys with state governmental agencies. Although state administrative guides and telephone and email surveys are useful in determining how government departments currently treat an issue, answers and positions derived from such sources are not binding upon the state, cannot be cited as precedent, may change over time and hence cannot be relied upon.
- ↑ Increase from prior year
- ↓ Decrease from prior year EST - 2023 SUI wage base is estimated.
- EST - 2023 SUI wage base is estimated.
- TBD - 2023 SUI wage base has not yet been published.
- ¹ This is the base SUI tax rate that is eligible for the 5.4% FUTA tax credit and is reported on Form 940 as a state contribution. This rate does not include surcharges that are not eligible for the 5.4% FUTA credit.
- ² Additional surcharges are those rates that are not certified to the federal government as employer unemployment taxes for Form 940 purposes. Unless otherwise noted, the surcharge is in addition to the range of UI rates for merit-rated employers shown in the third column. Certain employers (i.e., maximum-rated) may be exempt from the surcharge. For states that have borrowed from the federal government, an additional surcharge for payment of interest may apply.
- ³ The surcharge is shown separately on the quarterly contribution report (or billed on a separate notice).
- ⁴ The surcharge is combined with the unemployment tax rate on the quarterly contribution report. Deduct the surcharge when completing the Form 940 worksheet.
- ⁵ The wage base is set by law. Legislation is needed to change it.
- ⁶ "Building" refers to the construction industry.
- ⁷ 2023 SUI tax rate information is not yet available. See gray shaded cells.
- ⁸ The state's SUI tax rates are in effect July 1 through June 30.

Alabama

2023 SUI tax information is based on the 2023 SUI rate notice.

Arizona

Effective January 1, 2023, legislation ([SB 1828/Chapter 412](#)) increased the SUI taxable wage base to \$8,000, up from \$7,000. This increase is intended to fund the rise in the maximum weekly UI benefit amount, which effective July 1, 2022, increased to \$320, up from \$240.

Arkansas

For calendar years after 2019, the wage base is determined each year based on the average seasonal unadjusted insured unemployment rate and disbursements from and the balance of the state's UI trust fund. The wage base can range from \$7,000 to \$12,000. ([Ark. Code Ann. § 11-10-215.](#))

As a result of 2021 legislation ([HB 1409/Act 368](#)), the SUI taxable wage base for calendar year 2022 remained at \$10,000, the same as it was in 2021. Absent this legislation, and due to the continuing effect on the state's UI trust fund of the COVID-19 pandemic, the SUI wage base could have increased to \$11,000 or \$12,000 for 2022.

Colorado

Legislation in 2020 ([SB 20-207](#)) held the SUI taxable wage base at \$13,600 for calendar year 2021 with incremental increases each year thereafter until it reaches \$30,600 in 2026.

Specifically, SB 20-207 provides that the SUI taxable wage base will increase incrementally to \$30,600 by calendar year 2026.

Under the legislation, the variable SUI taxable wage base will be set at:

- ▶ \$13,600 for 2021
- ▶ \$17,000 for 2022
- ▶ \$20,400 for 2023
- ▶ \$23,800 for 2024
- ▶ \$27,200 for 2025
- ▶ \$30,600 for 2026, as adjusted by changes in the annual average weekly wage

SB 20-207 also provides that there are no fund-building surtaxes or additional rates added to the 2023 SUI base tax rate.

Connecticut

2021 [HB 6633/Public Act 21-200](#) increases the taxable wage base for calendar year 2024 to \$25,000, up from the current \$15,000 and makes other changes to Connecticut's UI law. Beginning with calendar year 2025, the taxable wage base will be indexed each year for inflation. HB 6633 also for calendar year 2024 expands the base rate schedule and reduces the fund solvency tax rate.

Other 2021 legislation ([HB 5377/Public Act 21-5](#)) requires that future tax rate computations not include UI benefit charges or taxable wages for the fiscal years ending June 30, 2020, and June 30, 2021. Similarly, the statewide benefits and taxable wages for calendar years 2020 and 2021 will be disregarded when calculating the 2022 tax rate that will apply to new employers. The legislation is effective for the computation of tax rates for tax years beginning January 1, 2022.

To mitigate the impact of the FUTA tax increase to employers, the Connecticut Legislature passed Public Act 22-118, which contains a provision reducing the state unemployment tax rates by 0.2% for calendar year 2023. This state unemployment tax rate reduction lessens the impact of the FUTA tax increase for those that are paying State Unemployment Tax Act (SUTA) in 2023. ([Employer Information on Federal and State Unemployment Tax Rate.](#))

Delaware

2013 legislation (HB 168) increased the SUI taxable wage base to a minimum of \$10,500 and a maximum of \$18,500 by linking the wage limit to the balance of the state's unemployment trust fund. The higher the trust fund balance, the lower the taxable wage base.

Florida

2021 [SB 50](#) directs that the 2022-2025 tax rates be calculated without applying the fund balance adjustment factor. SUI tax rate calculations for 2021-2025 will also exclude UI benefit charges from the second, third and fourth quarters of 2020 and all benefit charges paid as a direct result of a government order to close or reduce capacity of a business due to COVID-19, as determined by the Department of Economic Opportunity. Also, UI benefit charges from the first and second quarters of 2021 may be decreased if the Office of Economic and Demographic Research (EDR) estimates the total tax collection for rate year 2022 will exceed \$475,500,000 million. Changes to the 2023-2025 SUI tax rate calculation are repealed if the trust fund reaches \$4,071,519,600 on June 1.

SB 50 also required the state make three deposits during 2021 to the UI trust fund balance. The funding comes from online sales tax collected from out-of-state e-commerce companies as required under SB 50. In addition, beginning July 2022, and on or before the 25th day of each of the following months, the DOR will distribute \$90 million monthly to the state's UI trust fund. The

Georgia

Effective January 1, 2023, the Administrative Assessment expires in accordance with 2016 GA House Bill 904. ([Georgia Department of Labor Portal.](#))

SUI tax rate information confirmed by the Georgia Department of Labor. ([Email response to EY inquiry, 2-27-2023](#))



State unemployment insurance wage bases and tax rates for 2023

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Hawaii

In 2022, [HB 2471/Act 281](#) amended the definition of “adequate reserve fund,” the factor used to determine the state unemployment insurance (SUI) rate schedule for the calendar year, to exclude the benefit cost ratio (BCR) from June 2020 to August 2021, effective from calendar years 2023 through 2030. As a result, the SUI rate schedule for 2023 was based on [Schedule F](#), with rates ranging from 1.2% to 6.2%, rather than Tax Schedule H, the highest rate schedule under the law, with rates ranging from 2.4% to 6.6%. (*Testimony, Hawaii Department of Labor and Industrial Relations director.*)

Idaho

On February 18, 2022, Idaho Governor Brad Little signed [House Bill 450](#) into law, giving employers stability and consistency in the state unemployment insurance (SUI) costs by extending the 2021 SUI rates for two years through 2023. It is estimated the legislation will result in tax savings of \$64 million for Idaho businesses over the next two years.

Because of [HB 450](#), the Idaho 2023 state unemployment insurance (SUI) tax rates range from 0.207% to 5.4%, unchanged from 2022. ([Updated 2023 Rate Class Array.](#))

The 2023 new employer SUI rate [continues](#) at 1.0%. (Idaho Department of Labor [website.](#))

Indiana

SUI rate information was confirmed by the Indiana Department of Workforce Development. (*Email response to inquiry, 1-12-23.*)

Legislation enacted in 2020 ([HB 1111](#)) sets a new SUI series of rate schedules in the state’s UI law, beginning calendar year 2021. However, for calendar years 2021-2025, the bill freezes employer basic SUI contribution rates (under new basic Rate Schedule C) to within the same range of basic rates as were in effect for calendar years 2011-2020 (under previous basic Rate Schedule E).

Under 2021 [HB 6633](#), relief from UI benefit charges will be provided by crediting back to the employer’s experience balance account any UI benefits charged to employers between March 13, 2020, and June 30, 2021, before the 2022 rate assessments are calculated. Calendar year 2020 relieved charges may be mutualized for calendar year 2022 rating purposes. Calendar year 2021 relieved charges may be mutualized for calendar year 2023 rating purposes.

Iowa

In 2022, Iowa Governor Kim Reynolds signed into law [HF 2355](#), which makes several changes to potentially lower future SUI tax rates, in particular, and effective July 1, 2022, the number of weeks that a claimant may collect UI benefits is reduced from

26 weeks to 16 weeks. The number of weeks that an employee is entitled to benefits due to a business closure is reduced from 39 weeks to 26 weeks.

With the enactment of [HF 2355](#), Iowa joins several other states (Alabama, Arkansas, Florida Georgia, Kansas, Michigan, Missouri, North Carolina, Oklahoma and South Carolina per the US Department of Labor [2021 Comparison of State Unemployment Laws](#)) that have reduced the number of weeks of UI benefits that unemployed individuals may collect during their UI benefit year.

Kansas

2021 legislation ([HB 2196](#)), effective for tax year 2022, replaces the previous tax rate schedules with 13 new rate schedules geared toward restoring and maintaining UI trust fund solvency.

Kentucky

The taxable wage base is expected to continue to increase by \$300 each calendar year until it reaches \$12,000.

New Kentucky construction employers are assigned the highest rate in the rate chart in effect for the calendar year. (Kentucky Unemployment Insurance Employer Guide, p. [25.](#))

Louisiana

2022 legislation ([HB 192/Act 116](#)) freezes the 2023 Louisiana SUI taxable wage base to \$7,700, as has been the case for calendar years 2021-2022.

Legislation passed in 2021 ([SB 89/Act 91](#)) requires that the taxable wage base remains at \$7,700 for 2022. In 2020, legislation ([SB 55/Act 40](#)) provided that the SUI taxable wage base remained at \$7,700 for 2021.

Maine

The Unemployment Program Administrative Fund (UPAF) was created in 2021 to ensure adequate funding for the state’s UI program ([2019 Chapter 616](#)). This surcharge is not credited to employer accounts as SUI taxes and should not be used when calculating federal unemployment (FUTA) liability.

Maryland

Legislation ([SB 811/Chapter 73](#)) required that Maryland Governor Larry Hogan deposit enough federal relief funds into the state’s unemployment insurance (SUI) trust fund to ensure that Rate Schedule C, the midway point of SUI rate schedules under the state UI law, be in effect for calendar year 2022. The bill also requires that Rate Schedule C be used for calendar year 2023. SUI tax rates on Rate Schedule C range from 1.0% to 10.5%. (*Governor’s news [release.](#)*)

Michigan

If Michigan's SUI trust fund balance fell below \$2.5 billion on June 30, 2022, the highest wage base of \$9,500 applies. Otherwise, the wage base is \$9,000.

Minnesota

Per Minnesota law, the base tax rate and whether an additional assessment will be in effect for any year is determined by the balance in the UI Trust Fund on March 31 of the previous year.

[SF2677/Ch 50 enacted in 2022](#) sets the base tax rate at 0.1% and the additional assessment at 0% for 2023, and the highest tax rate is capped at 8.9%.

Mississippi

2020 [SB 3051](#) reduced the general experience rate to 0% for calendar year 2021, with SUI rates ranging from 0.0% to 5.4%. The legislation also provides that UI benefit charges paid out for the period of March 8, 2020, to June 30, 2020, would be omitted when calculating the 2021-2023 tax rates, and that UI benefit charges paid out for the period of July 1, 2020, through December 31, 2020, would be omitted when calculating the 2022-2024 tax rates.

The combined state workforce investment, Mississippi Works, and Workforce Enhancement Training surcharge continues at 0.2%.

Missouri

Missouri Governor Mike Parson approved [H.B. 2168](#), which is effective January 1, 2023, requires employers with a unemployment contribution rate greater than zero to pay an annual unemployment automation adjustment surcharge of 0.02% of its total taxable wages for the 12-month period ending the preceding June 30. The automation adjustment is used to modernize the state's unemployment automated systems and improve the program. The Division of Employment Security is authorized to reduce the percentage to ensure that the total amount collected annually does not exceed \$5 million.

Each employer liable to pay an automation adjustment will be notified of the amount due by March 31 of each year. For the first quarter of each calendar year, the total contribution amount due will be reduced by the dollar amount of the unemployment automation adjustment, however, the first contribution amount may not be reduced to zero. [See new section 288.133.].

Nebraska

2019 legislation ([LB 428](#)) increased the SUI taxable wage base to \$24,000 for employers assigned the maximum rate. This change was effective for calendar year 2020. The taxable wage base remains \$9,000 for all other employers.

New Jersey

Employee contribution rate includes the Workforce Development/ Supplemental Workforce Funds surcharge. [A4853](#), enacted in 2020, reduces the effect of regular state COVID-19 UI benefits on New Jersey employer SUI tax rates starting fiscal year 2022 through fiscal year 2024 by preventing the move to a higher SUI rate schedule over the subsequent three fiscal years, something that had been anticipated due to the reduction in the state's UI trust fund from COVID-19 UI benefit payouts.

Following are the maximum SUI tax rate ranges under AB 4853:

- ▶ For fiscal year 2023 (July 1, 2022, to June 30, 2023), the assignment of SUI tax rates will move from Rate Schedule C to Rate Schedule D, with rates ranging from 0.6% to 6.4%.
- ▶ For fiscal year 2024 (July 1, 2023, to June 30, 2024), the assignment of SUI tax rates will move from Rate Schedule D to Rate Schedule E, with rates ranging from 1.2% to 7.0%.

New Mexico

The 2023 SUI tax rate information was obtained from the 2023 SUI rate notice.

New York

The taxable wage base will continue to increase as follows: 2022-\$12,000; 2023-\$12,300; 2024-\$12,500; 2025-\$12,800; 2026-\$13,000; for each year thereafter, computed as 16% of the state's average annual wage.

North Carolina

The 2023 SUI rate information was obtained from the 2023 SUI rate notice.

Ohio

2016 legislation ([SB 235](#)) increased the SUI taxable wage base to \$9,500 for calendar years 2018 and 2019. The taxable wage base reverted to \$9,000 effective January 1, 2020, and will remain at that amount unless changed by future legislation.

Oklahoma

Oklahoma law requires that if the state UI trust fund balance falls to less than \$25 million, employers will be assessed a quarterly fund-building surcharge as great as 33.3%.

The diversion of 5% of employers' tax rates continues for 2021 and 2022, with proceeds going to the OESC technology fund to allow the agency to modernize its business processes and technology. The diversion is in effect for calendar years 2018-2022. Employers assigned the maximum SUI tax rate are not subject to this diversion.

State unemployment insurance wage bases and tax rates for 2023

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Oregon

The 2023 tax rate information was obtained from the 2023 SUI rate notice.

HB 3389, enacted in 2021, requires that SUI tax rates for calendar years 2022 through 2024 be computed using the same employer experience that was used to determine the SUI tax for calendar year 2020, the period before the COVID-19 emergency began.

HB 3389 also extends the lookback period used to determine the UI trust fund solvency level from 10 years to 20 years, provides that calendar years 2020 and 2021 will be omitted from the lookback period, and makes other changes designed to permanently lower the UI trust fund balance, statewide tax schedule and employer SUI tax rates.

Because of HB 3389, the 2020 experience factor was used in the 2023 SUI tax rate calculation.

Puerto Rico

2023 SUI tax rates are based on the 2023 SUI rate notice.

2017 legislation grants the territory's Secretary of Labor the discretion to increase the taxable wage base to as much as \$10,500 if deemed necessary.

Rhode Island

Negative-balanced employers assigned the maximum tax rate will have a taxable wage base that is \$1,500 higher than other employers (e.g., for 2023, \$28,200 versus \$29,700 for negative-balanced employers).

South Dakota

The 2023 SUI rate notice shows that SUI tax rates will continue on Rate Schedule B. New employers do not pay the administrative surcharge of 0.02% until experience-rated.

Tennessee

The wage base of \$7,000 for 2023 was confirmed by the Tennessee Department of Labor & Workforce Management. (*Email response to inquiry, 1-20-2023.*)

Under Tennessee UI law, if the UI trust fund balance on December 31 of any year is less than \$900 million, the taxable wage base is \$9,000. If the trust fund balance is above \$900 million but less than \$1 billion on December 31, the taxable wage base is \$8,000. If the trust fund balance is over \$1 billion on December 31, the taxable wage base is \$7,000.

Utah

2021 HB 2002 held the social cost rate factor for 2022 to 0.3%. For 2023-2024, the social cost rate factor will be held to not more than 0.4%. HB 2002 also held the reserve factor to 1.15 for 2022, and to not more than 1.2 for 2023-2024. Utah SUI tax rates are calculated by the following formula: Employer benefit ratio X reserve factor + social cost.

Vermont

2021 legislation (SB 62/Act 51) lessened the impact that COVID-19 UI benefits had on the fiscal year 2022 SUI tax rates by disregarding all UI benefits from calendar year 2020 when the individual SUI tax rates were calculated. The law further requires that calendar year 2021 UI benefits under certain COVID-19-related circumstances will not be used in calculating tax rates for fiscal year 2023 and later.

To be eligible for relief of regular COVID-19 UI benefit charges for 2021, employers had to request relief of these charges.

SB 62 required that UI benefit charges for calendar year 2020 not be used in the computation of the "current fund ratio" and the "highest benefit cost rate," factors used to determine which of the five rate schedules provided for by law will be in effect for the next fiscal year.

Virginia

The Virginia Employment Commission [announced](#) that the unemployment insurance fund trust fund returned to pre-pandemic levels and surpassed key solvency levels. As of December 2, 2022, the Virginia unemployment insurance trust fund balance available for benefits is \$1,466,766,128. Because of actions taken by the General Assembly and approved by the governor, employers will see the elimination of the \$16 per employee fund builder tax in 2023.

The Commission also announced that in previous sessions of the Virginia General Assembly, the unemployment insurance taxes were capped at their calendar year 2021 levels. While an employer can improve their tax rates, for 2023, rates will not exceed those paid in calendar year 2021 unless the employer is delinquent in remitting their taxes. Between December 2020 and June 2022, the General Assembly also authorized deposits of over \$1.2 billion in federal CARES Act and ARPA funding into the trust fund.

Virgin Islands

The 2023 wage base was reported by the *St. Thomas Source* on December 29, 2022.

Legislation (2019 Bill No. 33-0090) changed the method of determining employer SUI tax rates from a flat 2.5%, assigned to most employers, to a payroll variation system that is similar to Alaska's rating system. Additionally, a fund solvency rate may be added to the base rate, which will be based on the solvency of the territory's UI trust fund.

Washington

2022 [SB 5873](#), signed into law on March 11, 2022, reduces the social cost factor or nearly all employers in 2022 and 2023 (those in the highest rate classes likely won't see a reduction) and reduces the social tax for many employers with 10 or fewer employees for 2023. In general, employers may pay a social tax in addition to experience-rated tax. The law reduces the maximum social tax from 0.75% to 0.50% in 2022, and from 0.80% to 0.70% in 2023. Further, in 2023, employers with 10 or fewer employees, as of the fourth quarter of 2021, will have a graduated social tax factor capped at rate 7. This would lower the tax rate for small businesses who are in rate class 8 or higher.

[SB 5061](#) (and, for 2021, the governor's Executive Order [20-81](#)) also suspends the assessment of a solvency surcharge of 0.2% for tax years 2021-2025. The surcharge is assessed when the balance of the state UI trust fund as of the September 30 preceding the tax year is not sufficient to pay seven months of UI benefits.

The changes in computing employer SUI tax rates were projected to prevent a cost increase to employers of over \$921 million for 2021 and \$1.7 billion overall from 2021 through 2025.

West Virginia

Under current law, the wage base is lowered to \$9,000 if the unemployment trust fund is at least \$220 million on February 15 of any year. (*W. Va. Code § 21A-1A-28; Code of State Rules §83-1-7.1; Workforce West Virginia email notice to taxable employers, 2-17-2022.*)

Per the 2023 SUI rate notice, the 2023 tax rates will continue on Column C with rates ranging from 1.5% to 8.5% including a 1.0% surcharge. New employers continue to pay at 2.7% except for construction employers, which pay at 8.5%. (WV Chapter 21A, Article 5, Section 10.)

Wisconsin

2021 [AB 406/Act 59](#) mandates that Rate Schedule D, the lowest by law, be used for calendar years 2022-2023. The Act also required that \$120 million in appropriations be transferred to the state's UI trust fund for the biennium budget years of 2021-2023.

The 2023 tax rates were obtained from the 2023 SUI rate notice.

Wyoming

The 2023 SUI tax rates were provided by Wyoming Workforce Services in response to an EY email inquiry. (2-23-2023)



2023 state disability and paid family leave insurance wage base and rates

Six jurisdictions (California, Hawaii, New Jersey, New York, Puerto Rico and Rhode Island) operate state disability insurance (SDI) programs. Another 14 jurisdictions (California, Colorado, Connecticut, Delaware, District of Columbia, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Oregon, Rhode Island, Vermont and Washington) are now operating, or will soon be operating, paid family and medical leave (PFML) insurance programs. Washington is currently the only jurisdiction with a long-term care (LTC) insurance program.

Depending on the jurisdiction, the employee may pay all contributions to the SDI, PFML or LTC program through wage withholding, or the employer and the employee may share the cost of the insurance coverage. Most states allow employers to use a private insurance company or self-insured plan in lieu of paying into the state insurance fund(s).

The following chart shows the state SDI, PFML and LTC rates and taxable wage limits for 2023 based on information currently available.

State disability and paid family and medical leave insurance

Tax year 2023 (as of July 25, 2023)

State/jurisdiction	Employee contribution	Employer contribution	Taxable wage limit if applicable (1)
California			
Disability	0.9%	None	\$153,164, maximum contribution is \$1,378.48 (note that the wage cap will be removed starting in 2024)
Paid family medical leave insurance	Included in disability	N/A	Included in disability
Connecticut			
Disability	None	None	None
Paid family medical leave insurance	0.5%	None	\$160,200 (2023 Social Security wage limit)
Colorado			
Disability	None	None	None
Paid family medical leave insurance	50% of 0.9% (effective January 1, 2023, for employers of 10 or more, employees pay 50%; if fewer than 10 employees, employees pay 100%)	50% of 0.9% (effective January 1, 2023, employers of 10 or more employees pay 50%; if fewer than 10 employees, employers pay 0%)	\$160,200 (2023 Social Security wage limit)
Delaware			
Disability	None	None	None
Paid family medical leave insurance	Employers may deduct 50% of employer contribution	Medical: 0.4%; family leave: 0.8%; parental leave: 0.32% (employers with 10 to 24 employees are subject only to parental leave)	Up to the Social Security wage limit
Contributions start in 2025			

State/jurisdiction	Employee contribution	Employer contribution	Taxable wage limit if applicable (1)
District of Columbia			
Disability	None	None	None
Paid family medical leave insurance	None	0.26% (effective 7-1-2022)	None, payroll tax is on total wages
Hawaii			
Disability	50% of cost but not more than 0.5% of covered weekly wages up to a maximum. The maximum weekly contribution is \$6.59.	Difference between cost and worker's contribution	\$1,318.48 (weekly)
Paid family medical leave insurance	None	None	None
Maine			
Disability	None	None	None
Paid family medical leave insurance	50% of 1.0%	For employers with 15 or more employees, 50% of 1.0%. For employers with less than 15 employees, none	Social Security wage limit
Contributions start January 1, 2025			
Maryland			
Disability	None	None	None
Paid family medical leave insurance	May not exceed 1.2%, paid 50% by employers and employees (See Senate Bill 828 enacted in 2023)	May not exceed 1.2%, paid 50% by employers and employees (See Senate Bill 828 enacted in 2023) (Employers with fewer than 15 employees are not required to contribute.)	Social Security wage limit
Contributions start October 1, 2024			
Massachusetts			
Disability	None	None	None
Paid family medical leave insurance	0.63% if 25 or more employees and .318% if fewer than 25 employees (employees pay 100% of family leave portion; if employer of 25 or more employees, 40% of medical insurance portion; otherwise, employee pays 100%)	For employers of 25 or more employees, 60% of medical insurance portion of rate; otherwise, employees pay 100%	\$160,200 (2023 Social Security wage limit)

2023 state disability and paid family leave insurance wage base and rates

Continued

State/jurisdiction	Employee contribution	Employer contribution	Taxable wage limit if applicable (1)
Minnesota			
Disability	None	None	None
Paid family medical leave insurance Contributions start January 1, 2026	0.7% for both family and medical leave benefits, 0.4% for medical leave benefits only and 0.3% for family leave benefits only paid 50% by employees	0.7% for both family and medical leave benefits, 0.4% for medical leave benefits only and 0.3% for family leave benefits only paid 50% by employers	Social Security wage limit (a lower wage base applies to employers with less than 30 employees with the lowest premium available to those with 1 to 9 employees)
New Hampshire			
Disability	None	None	None
Paid family medical leave insurance	Effective January 1, 2023, employees may opt into the state's Granite State Paid Family Leave Fund.	Employers that choose to participate in the program will be entitled to a tax credit, allowed against premiums due, of 50% of the premium that the employer paid for coverage for the tax period at issue.	N/A
New Jersey (3)			
Disability	None	New employers pay 0.5% of taxable wages if in state plan; otherwise, experience rating applies. For other employers, experience rates range from 0.1% to 0.75%.	\$156,800 (\$41,100 for employers)
Paid family medical leave insurance	0.06%	None	\$156,800
New York			
Disability	0.5% up to: \$0.14 daily \$0.60 weekly \$1.20 biweekly \$1.30 semi-monthly \$2.60 monthly	Balance of costs over employee contributions necessary to provide benefits	None
Paid family medical leave insurance	0.455% (maximum of \$399.43 per year)	None	\$1,688.19 (weekly)

State/jurisdiction	Employee contribution	Employer contribution	Taxable wage limit if applicable (1)
Oregon			
Disability	None	None	None
Paid family medical leave insurance	60% of 1.0% (effective January 1, 2023, for employers of 25 or more, employees pay 60%; if fewer than 25 employees, employees pay 100%)	40% of 1.0% (effective January 1, 2023, employers of 25 or more employees pay 40%; if fewer than 25 employees, employers may pay 0%)	\$132,900 (Social Security wage base effective January 1, 2023, under SB 913)
Puerto Rico (2)			
Disability	0.3%	0.3%	\$9,000
Paid family medical leave	None	None	None
Rhode Island			
Disability	1.1%	None	\$84,000
Paid family medical leave insurance	Included in disability	N/A	Included in disability
Texas			
Disability	Voluntary	Voluntary	N/A
Paid family medical leave insurance Effective 9-1-23	Voluntary (the law establishes requirements for third-party group insurance plans)	Voluntary (the law establishes requirements for third-party group insurance plans)	N/A
Vermont			
Disability	None	None	None
Paid family medical leave insurance Available in 2024	Voluntary	Voluntary	(Estimate \$4.50/week, \$20/month)
Washington			
Disability	None	None	None
Paid family medical leave insurance	72.76% of 0.8% (for those whose employer has fewer than 50 employees, employees pay 100% of the premium)	27.24% of 0.8% (if employer has 50 or more employees; otherwise the employee pays 100% of the premium)	\$160,200 (Social Security wage limit)
Long-term care insurance Contributions start July 1, 2023	0.58% of gross wages (employees can opt out if certain conditions are met)	None	None

Footnotes:

- (1) Represents maximum annual earnings unless another period is specified. If no taxable wage base is specified, the tax applies to all covered wages.
- (2) **Puerto Rico.** Not anticipated to change for 2023.
- (3) **New Jersey.** Legislation (A 3975) effective January 1, 2020, separated the computation of the temporary disability and family leave insurance taxable wage base from that of the state unemployment insurance taxable wage base.

Federal income tax withholding for 2023

This IRS released the 2023 [Publication 15](#), Circular E, Employer's Tax Guide and [Publication 15-T](#), Federal Income Tax Withholding Methods.

The formulas and tables used in computing federal income tax withholding are moved from Publication 15 to the new Publication 15-T. Publication 15-T is designed to work with the [Form W-4](#) which was significantly modified in 2020 to conform to changes under the Tax Cuts and Jobs Act – in particular, the elimination of personal allowances through 2025.

Not all employees are required to submit a 2023 Form W-4, only newly hired employees who first receive wages in 2023, employees who claimed exemption from withholding in 2022 and employees who wish to change their Form W-4 in 2023. Accordingly, some employees will continue to have a Form W-4 on file that was submitted in 2019 or earlier years. Publication 15-T is designed to work with Forms W-4 submitted before and after January 1, 2020.

As explained in Publication 15-T, for 2020 and later years, there are two tables used to compute federal income tax withholding:

- ▶ **Percentage Method Tables.**
This table is used if the employee's Form W-4 is from 2019 or earlier.
- ▶ **Standard Withholding Rate Schedule.**
These tables are used for Forms W-4 from 2020 or later years.

The 2023 annual percentage withholding tables for automated payroll systems are reproduced at the right.

Percentage Method Tables (Standard Withholding Rate Schedules) (Use if the Form W-4 is from 2019 or earlier, or if the Form W-4 is 2020 or later and the box in Step 2 of Form W-4 IS NOT checked.)

If the Adjusted Annual Wage Amount (line 1d) is		The tentative amount to withhold is ...	Plus this percentage ...	of the amount that the Adjusted Annual Wage exceeds ...
At least ...	But less than ...			
A	B	C	D	E
Married filing jointly				
\$ 0	\$ 14,800	\$ 0.00	0%	\$ 0
\$ 14,800	\$ 36,800	\$ 0.00	10%	\$ 14,800
\$ 36,800	\$ 104,250	\$ 2,200.00	12%	\$ 36,800
\$ 104,250	\$ 205,550	\$ 10,294.00	22%	\$ 104,250
\$ 205,550	\$ 379,000	\$ 32,580.00	24%	\$ 205,550
\$ 379,000	\$ 477,300	\$ 74,208.00	32%	\$ 379,000
\$ 477,300	\$ 708,550	\$ 105,664.00	35%	\$ 477,300
\$ 708,550		\$ 186,601.50	37%	\$ 708,550
Single or married filing separately				
\$ 0	\$ 5,250	\$ 0.00	0%	\$ 0
\$ 5,250	\$ 16,250	\$ 0.00	10%	\$ 5,250
\$ 16,250	\$ 49,975	\$ 1,100.00	12%	\$ 16,250
\$ 49,975	\$ 100,625	\$ 5,147.00	22%	\$ 49,975
\$ 100,625	\$ 187,350	\$ 16,290.00	24%	\$ 100,625
\$ 187,350	\$ 236,500	\$ 37,104.00	32%	\$ 187,350
\$ 236,500	\$ 583,375	\$ 52,832.00	35%	\$ 236,500
\$ 583,375		\$ 174,238.25	37%	\$ 583,375
Head of household				
\$ 0	\$ 12,200	\$ 0.00	0%	\$ 0
\$ 12,200	\$ 27,900	\$ 0.00	10%	\$ 12,200
\$ 27,900	\$ 72,050	\$ 1,570.00	12%	\$ 27,900
\$ 72,050	\$ 107,550	\$ 6,868.00	22%	\$ 72,050
\$ 107,550	\$ 194,300	\$ 14,678.00	24%	\$ 107,550
\$ 194,300	\$ 243,450	\$ 35,498.00	32%	\$ 194,300
\$ 243,450	\$ 590,300	\$ 51,226.00	35%	\$ 243,450
\$ 590,300		\$ 172,623.50	37%	\$ 590,300

Personal allowance value is \$4,300 when figuring income tax for Forms W-4 from 2019 or earlier years

When computing federal income tax withholding using the percentage method for automated payroll systems for employees who have not submitted a Form W-4 after 2019, the adjusted annual wage amount continues to consider personal allowances. For 2023, multiply each personal allowance claimed on the employee's Form W-4 by \$4,300. (*Publication 15-T, page 9.*)

What to do if employee has no Form W-4 on file

The assumptions that apply when an employee fails to furnish a Form W-4 to the employer vary depending on when the failure first occurred. (*Publication 15-T, page 3.*)

- ▶ If you first paid wages to an employee in 2023, including an employee who was rehired in 2023, and the employee fails to furnish a Form W-4, assume the employee checked on Form W-4 the box for single or married filing separately in Step 1(c) and made no entries in Step 2, Step 3 or Step 4 of the 2023 Form W-4.
- ▶ If you first paid wages to an employee prior to 2020, assume the employee claimed single with no allowances on a Form W-4 for 2019 or earlier years.



Claiming exemption from federal income tax withholding

There is no dedicated area where an employee can claim exemption from federal income tax withholding. Instead, employees claim exemption by writing "Exempt" on Form W-4 in the space below Step 4(c). As in the past, when the employee claims exempt in Step 4(c), federal income tax is not withheld from wages apart from supplemental wages of more than \$1 million, where federal income tax is mandatory. (*Publication 15-T, page 3.*)

The IRS instructs that electronic Form W-4 systems should provide a certification section below Step 4(c) for employees who are eligible and want to claim exemption from withholding. Instead of writing "Exempt," employees certify that they meet the following two conditions: (1) they had no federal income tax liability in 2022, and (2) they expect to have no federal income tax liability in 2023.

Nonresident alien employee Forms W-4

When completing the Form W-4, nonresident aliens are required to:

- ▶ Not claim exemption from federal income tax withholding
- ▶ Request withholding as if they're single, regardless of their actual filing status
- ▶ Not claim the child tax credit or credit for other dependents in Step 3 of Form W-4. Note, however, that nonresident aliens who are residents of Canada, Mexico or South Korea, or a student from India, or a business apprentice from India, may claim, under certain circumstances (see [Notice 1392](#)), the child tax credit or credit for other dependents).
- ▶ Write "Nonresident Alien" or "NRA" in the space below Step 4(c) of Form W-4.

The IRS has clarified that electronic Form W-4 systems should provide a field for nonresident aliens to enter nonresident alien status instead of writing "Nonresident Alien" or "NRA" in the space below Step 4(c) of Form W-4. Employers should instruct nonresident aliens to see [Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens](#), before completing Form W-4. (*Publication 15, pg. 22-23.*)

Federal income tax withholding for 2023

Continued



Nonresident alien employee income tax withholding adjustment for 2023

Add these amounts to employees' wages for calculating income tax withholding. (Nonresident alien students and business apprentices from India aren't subject to this procedure.)

Table 1:
No Form W-4 for 2020 or later on file

Payroll period	Add additional
Daily or miscellaneous	\$ 36.70
Weekly	\$ 183.70
Biweekly	\$ 367.30
Semimonthly	\$ 397.90
Monthly	\$ 795.80
Quarterly	\$ 2,387.50
Semiannually	\$ 4,775.00
Annually	\$ 9,550.00

Table 2:
Form W-4 for 2020 or later is on file

Payroll period	Add additional
Daily or miscellaneous	\$ 53.30
Weekly	\$ 266.30
Biweekly	\$ 532.70
Semimonthly	\$ 577.10
Monthly	\$ 1,154.20
Quarterly	\$ 3,462.50
Semiannually	\$ 6,925.00
Annually	\$ 13,850.00

Backup withholding rate

Effective with payments made on and after January 1, 2018, the backup withholding rate is 24%. Backup withholding is required from certain taxable nonwage payments if payees fail to furnish their taxpayer identification numbers to the payer.

State income tax withholding tables, supplemental withholding rates and highest withholding tax rates for 2023

To assist you in reviewing your state and US territory income tax withholding rates for 2023, the chart beginning on the following page contains hyperlinks to 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 their supplemental withholding rates, if applicable.

Supplemental withholding rate

Like the federal supplemental income tax withholding rate, some jurisdictions with a graduated income tax also allow for an optional flat percentage of income tax withholding for wages that are in addition to regular pay. Where allowed, the supplemental rate greatly simplifies income tax withholding calculations on irregular payments such as bonuses, nonqualified deferred compensation, equity compensation and separation pay.

For federal purposes, employers may opt to use a flat tax rate of 22% on supplemental wages up to \$1 million for the year; however, a mandatory flat tax rate of 37% applies to supplemental wages over \$1 million. Note that the flat 37% rate applies even if an employee has submitted a federal Form W-4 claiming exemption from federal income tax withholding. (*Treas. Reg. Section 31.3402(g)-1; see IRS Publication 15-T for the 2023 federal income tax withholding tables.*)

State legislative landscape

Last year, legislation and ballot initiatives were adopted that retroactively changed personal income tax rates in several states. Early indications show that this trend is likely to continue in 2023.

Updates will be made to this publication throughout the year. You can find this and other of our special reports [here](#).



State income tax withholding tables, supplemental, flat tax and highest marginal withholding tax rates for 2023

Continued

State income tax withholding tables, supplemental, flat tax and highest marginal withholding tax rates for 2023 (survey** results as of October 25, 2023)

Click on the jurisdiction names below to view the latest income tax withholding tables/formulas and instructions.

Changes from 2023 are highlighted in yellow.

Turquoise highlighting indicates that revised 2023 withholding tables/formula are anticipated but not yet available. Information shown is from the tables/formula currently available on the jurisdiction's website.

Jurisdiction	Last revision date of the income tax withholding formula/tables ¹	Supplemental withholding rate	Flat income tax withholding rate	Highest marginal income tax withholding rate ²
Alabama*	1-1-23	5.0%	N/A	5.0%
American Samoa	1-1-07	N/A	N/A	27.0%
Arizona*	1-1-23	N/A	2.5%	N/A (A flat tax of 2.5% applies effective 1-1-23.)
Arkansas*	6-1-23	4.7% (Effective 6-1-23)	N/A	4.9%, effective 10-1-22 (Effective retroactive to 1-1-23, SB 549 lowers the tax rate to 4.7%)
California*	1-1-23	6.60% and 10.23% on bonus and stock options	N/A	14.63%
Colorado	11-14-22 (Note that DR 1098 (rev. 11-14-22) is used by employers to compute income tax withholding.)	N/A	4.4% (Reduced from 4.5% retroactively to 1-1-22 by voters under Proposition 121 and confirmed by Colorado Governor Jared Polis in Executive Order 2022-048 .)	N/A
Connecticut*	1-1-23	N/A	N/A	6.99% (Effective 1-1-24, HB 6941 lowers the tax rates for middle-income taxpayers)
Delaware	1-1-14	5.0% is recommended for deferred compensation payments	N/A	6.60%

Jurisdiction	Last revision date of the income tax withholding formula/tables ¹	Supplemental withholding rate	Flat income tax withholding rate	Highest marginal income tax withholding rate ²
District of Columbia	1-1-18	N/A	N/A	10.75% (Effective 1-1-22, the highest income tax rate is 10.75% under D.C. Act 24-178; however, the last update to the withholding tables was in 2018 with the highest withholding rate shown at 8.95%. Employers are encouraged to use the new rate table that went into effect 1-1-22.)
Georgia	1-1-23 Annual wages under \$8,000 \$8,000-\$10,000 \$10,001-\$12,000 \$12,001-\$15,000 over \$15,000	2.0% 3.0% 4.0% 5.0% 5.75%	N/A	5.75% (HB 1437 replaces the current graduated personal income tax to a flat rate of 5.49% effective 1-1-24, with gradual reductions each year until the rate reaches 4.99% effective 1-1-29.)
Hawaii	9-13-21	N/A	N/A	7.9% (The top individual tax rate is 11%.)
Idaho*	5-15-23	N/A	(H.B. 1 moves the state to a flat tax of 5.8% effective 1-1-23.)	6.0% (H.B 1 moves the state to a flat tax of 5.8% effective 1-1-23.)
Illinois	1-1-23	N/A (withholding amounts should be computed without exemptions)	4.95%	N/A
Indiana	1-1-23 (For the county income tax rates effective 1-1-23, go here .)	N/A	3.15% plus local income tax rate (H.B. 1001, enacted in 2023, lowers the tax rate to 3.05% for 2024 with additional tax cuts each year until the rate reaches 2.90% in 2027.)	N/A

State income tax withholding tables, supplemental, flat tax and highest marginal withholding tax rates for 2023

Continued

Jurisdiction	Last revision date of the income tax withholding formula/tables ¹	Supplemental withholding rate	Flat income tax withholding rate	Highest marginal income tax withholding rate ²
Iowa*	1-1-23	6.0%	N/A	6.0% (House File 2317 phases down individual income tax rates over the next four years starting in 2023 to a flat rate of 3.9% by tax year 2026.)
Kansas*	6-21-21	5.0%	N/A	5.7%
Kentucky	1-1-23	N/A	4.5% (Under H.B. 1, the rate is lowered to 4.0% effective January 1, 2024.)	N/A
Louisiana	1-1-22	N/A	N/A	4.25%
Maine*	1-1-23	5.0%	N/A	7.15%
Maryland*	1-1-23	Use the rate at the bottom of the local tax table . Withhold at 3.2% for residents of Maryland working in Delaware and other nonreciprocal states. (<i>Maryland Tax Facts</i> .)	N/A	Use the rate at the bottom of the local tax table . Withhold at 3.2% for residents of Maryland working in Delaware and other nonreciprocal states. (<i>Maryland Tax Facts</i> .)
Massachusetts	1-1-20 (Massachusetts Department of Revenue officials have said they will not update the withholding formula until 2024.)	N/A	5.0%	(Voters approved a measure that, effective 1-1-23, would establish a higher tax rate for millionaires creating a graduated income tax.)
Michigan	1-1-23	N/A	4.25% (The Michigan Department of Treasury announced the rate is lowered to 4.05% retroactive to 1-1-23.)	N/A
Minnesota*	1-1-23	6.25%	N/A	9.85%
Mississippi	1-1-23	N/A	5.0%	N/A (HB 531 moved the state to a flat tax, effective 1-1-23. The flat tax is set to be lowered to 4.7% in 2024, 4.4% in 2025 and to 4.0% in 2026.)

Jurisdiction	Last revision date of the income tax withholding formula/tables ¹	Supplemental withholding rate	Flat income tax withholding rate	Highest marginal income tax withholding rate ²
Missouri*	6-1-23	4.95%	N/A	4.95% (SB 3 lowers the highest income tax rate to 4.95% effective 1-1-23.)
Montana*	1-1-23	6.0%	N/A	6.6% (SB 121 (2023) lowers the top tax rate to 5.9% effective 1-1-24)
Nebraska*	1-1-23	5.0%	N/A	6.75% (Under LB 754, effective 1-1-24, the highest marginal tax rate is 5.84% and 5.2% effective 1-1-25).
New Jersey	10-1-20	N/A	N/A	11.80%
New Mexico*	1-1-23	5.90%	N/A	5.90%
New York*	1-1-23	11.70% (New York City is 4.25%, Yonkers resident is 1.95975%, Yonkers nonresident is 0.50%)	N/A	11.70% (Note that S. 8009 accelerates income tax rate reductions originally passed in 2016 for middle-income earners effective 1-1-23. These changes are reflected in the 2023 income tax withholding formula but do not affect the highest tax rate.)
North Carolina*	1-1-23	4.85%	4.75%	N/A
North Dakota*	5-1-23	1.5%	N/A	2.90% (H.B. 1158 lowers the top tax rate to 2.5% retroactive to 1-1-23)
Ohio*	9-1-21 to 12-31-23 School district tax effective 1-1-23	3.5%	N/A	5.009% (Under HB 33, the highest tax rate is 3.75% retroactive to 1-1-23 and 3.5% effective 1-1-24.)
Oklahoma*	1-1-23	4.75%	N/A	4.75%
Oregon*	1-1-23	8.0%	N/A	9.90%

State income tax withholding tables, supplemental, flat tax and highest marginal withholding tax rates for 2023

Continued

Jurisdiction	Last revision date of the income tax withholding formula/tables ¹	Supplemental withholding rate	Flat income tax withholding rate	Highest marginal income tax withholding rate ²
Pennsylvania	3-1-14	N/A	3.07% plus, employee unemployment insurance tax rate of 0.07% and local tax rate	N/A
Puerto Rico	1-1-17	N/A	N/A	33%
Rhode Island*	1-1-23	5.99%	N/A	5.99%
South Carolina*	1-1-23	N/A	N/A	6.5% (S.B. 1087 lowered the top tax rate from 7.0% to 6.5% retroactive to 1-1-22.)
Utah*	6-1-23	N/A	4.85% (H.B. 54 retroactively lowers the tax rate to 4.65% effective 1-1-23.)	N/A
Vermont*	1-1-23	30% of federal income tax withholding (6% for payments under a nonqualified deferred compensation plan)	N/A	8.75%
Virginia*	10-1-22 (The withholding formula was revised to reflect a change in the standard deduction amount.)	5.75%	N/A	5.75%
West Virginia	3-16-23 Annual wages under \$10,000 \$10,000-\$25,000 \$25,000-\$40,000 \$40,000-\$60,000 over \$60,000	2.36% 3.15% 3.54% 4.72% 5.12%	N/A	5.12% (H.B. 2526 retroactively lowers the graduated tax rates to 2.35%, 3.15%, 3.54%, 4.72% and 5.12% effective 1-1-23.)
Wisconsin*	1-1-22 under \$12,760 \$12,760-\$25,520 \$25,520-\$280,950 \$280,950 and over	3.54% 4.65% 5.30% 7.65%	N/A	7.65%

Legend

- * See notes below.
 - ** Much of the information in this survey was obtained through review of state revenue/workforce department administrative guides or informational telephone or email surveys with state governmental agencies. Although state administrative guides and telephone and email surveys are useful in determining how government departments currently treat an issue, answers and positions derived from such sources are not binding upon the state, cannot be cited as precedent and may change over time, and hence cannot be relied upon.
- ¹ You can find updates to the 2023 state income tax withholding rates in our 2023 employment tax rates and limits report, available in January 2023, and updated throughout the year. You can find the report, once available, [here](#).
- ² The highest personal income tax rate may not always be the same as the highest withholding rate (e.g., Hawaii and Ohio).

Note also that legislation enacting a retroactive change in the personal income tax rates may not always be immediately reflected in the withholding rates (e.g., District of Columbia in 2022). There were many states that enacted retroactive changes to their personal income tax rates in 2022 (see our [2022 employment tax rates and limits report](#)), and early indications are that this trend will continue into 2023. When the personal income tax rates and the withholding rates differ, employees should be informed that their withholding may not reflect the most current personal income tax rates and that employers are generally required to follow the state's administrative guidance concerning withholding formula and instructions.

Alabama

The supplemental withholding rate is 5%. (*Withholding Tax Tables and Instructions for Employers and Withholding Agents*, p. 3.)

Arizona

Under [SB 1828](#) and effective January 1, 2022, the law creates a two-tier individual income tax rate structure of 2.55% and 2.98% depending on filing status and taxable income and, if general fund revenue thresholds are met, a reduced two-tier individual income tax rate structure of 2.53% and 2.75% or a 2.5% flat tax rate beginning in 2023.

Arkansas

The Arkansas Department of Revenue released the revised [withholding tax formula](#) effective October 1, 2022, reflecting the changes made by [SB.1 \(Act 2\)](#), enacted on August 11, 2022. Retroactive to January 1, 2022, SB. 1 lowers the top marginal

income tax rate from 5.5% to 4.9% and increases the income level at which the highest tax rate applies. SB. 1 accelerates the tax cuts that were signed into law in December 2021 and is anticipated to save taxpayers over \$400 million. (*Governor Hutchison, Summary of Tax Cuts*.)

If bonuses, commissions or overtime wages are paid at the same time as regular wages, the income tax withheld is determined by deducting 4.9% of the bonus or commission for state income tax.

The Department suggests that employers advise their employees that the 4.9% withholding rate could, in some cases, be more than the income tax liability and cannot be recovered until the employee files the Arkansas personal income tax return. (*Withholding Tax, Employer's Instructions*, p 4.)

California

The supplemental withholding rate is 10.23% on bonuses and stock options and 6.6% on other types of compensation (e.g., overtime pay, commissions, sales awards and vacation pay). (*2023 California Employer's Guide*, p. 15.)

Connecticut

There is no supplemental rate of withholding. (*Connecticut Employer's Tax Guide*, p. 12.)

Idaho

The supplemental rate of withholding is 6%. (*Idaho State Tax Commission, Computing Withholding*.)

Iowa

The supplemental rate of withholding is 6%. (*Iowa Withholding Tax Information; Iowa Administrative Code 701-307.2(3)*.)

Kansas

The supplemental rate of withholding is 5%. (*Kansas Withholding Tax Guide*, p.8.)

Maine

The supplemental rate of withholding is 5%. (*Maine Withholding Tables for Individual Income Tax*, p.4.)

Maryland

Under [SB 133](#) and effective in 2022, each county is authorized to set by ordinance or resolution, a county income tax rate equal to at least 2.25% (previously, 1%) and to apply the county income tax on a bracket basis. A county that imposes the tax on a bracket basis: (1) must set, by ordinance or resolution, the income brackets that apply to each income tax rate; (2) may set income brackets that differ from the income brackets to which the state income tax applies; (3) may not set a minimum income tax rate less than 2.25% of an individual's Maryland taxable income; and (4) may not apply an income tax rate to a higher income bracket that is less than the income tax rate applied to a lower income bracket. The legislature overrode the governor's veto on December 6, 2021.

State income tax withholding tables, supplemental, flat tax and highest marginal withholding tax rates for 2023

Continued

Minnesota

The supplemental rate of withholding is 6.25%. (*Minnesota Income Tax Withholding, Supplemental Payments.*)

Missouri

The supplemental rate of withholding is 4.95%. (*2023 Missouri Withholding Tax Formula, p.1.*)

Montana

The supplemental rate of withholding is 6%. (*Withholding Tax Guide with Montana Withholding Tax Tables, p.4.*) Under [SB 159](#), and effective January 1, 2022, the top marginal income tax rate is reduced from 6.9% to 6.75%.

Nebraska

The supplemental withholding rate is 5%. (*2022 Nebraska Circular EN, p.9.*) [LB 873](#), enacted in 2022, would gradually lower the income tax rates starting in 2023.

New Mexico

The supplemental withholding rate is 5.9%. (*FYI-104, New Mexico Withholding Tax, p.4.*)

New York

If you pay supplemental wages (e.g., bonuses, commissions, overtime pay, sales awards) with regular wages but do not specify the amount of each, withhold income tax as if the total were a single payment for a regular payroll period. If you pay supplemental wages separately (or combine them in a single payment and specify the amount of each), the income tax withholding method depends partly on whether you withhold income tax from your employee's regular wages:

- ▶ If you withhold income tax from an employee's regular wages, you can use one of the following methods for the supplemental wages:
 - a) withhold at the New York State supplemental rate of 11.70% (.1170), or b) add the supplemental and regular wages for the most recent payroll period this year. Then figure the income tax withholding as if the total were a single payment. Subtract the tax already withheld from the regular wages. Withhold the remaining tax from the supplemental wages.
- ▶ If you do not withhold income tax from the employee's regular wages, use method b (*New York State Withholding Tax Tables and Methods (p.3); Yonkers Withholding Tax Tables and Methods, (p. 3); New York City Withholding Tax Tables and Methods (p.3).*)

North Carolina

As a result of Session Law [2021-180](#), the individual income tax rate is scheduled to be reduced over the next few years. The individual income tax rate for tax year 2023 is 4.75%. This change is reflected in the tables and computations included in the 2023 withholding instructions and withholding allowance certificate forms published on the Department's website.

The supplemental withholding rate is 4.85%. (*North Carolina 2023 Income Tax Withholding Tables and Instructions for Employers, p. 10.*)

North Dakota

The supplemental withholding rate is 1.5%. (*2023 North Dakota Income Tax Withholding Rates & Instructions, p.58.*)

Ohio

The supplemental withholding rate is 3.5%. (*Ohio Administrative Code 5703-7-10, rev. 11-23-2018.*)

Oklahoma

The supplemental withholding rate is the highest withholding rate. (*Okla. Admin. Code § 710:90-1-6.*)

Oregon

The supplemental withholding rate is 8%. (*Oregon Withholding Tax Formulas, p.3.*)

Rhode Island

The supplemental withholding rate is 5.99%. (*Rhode Island Employer's Income Tax Withholding Tables, p.6.*)

South Carolina

The top tax rate was reduced starting in 2022 to 6.5% under [S. 1087](#), but the 2022 withholding tables did not reflect this change. The change is reflected in the 2023 tables. The top tax rate could be reduced again in the future if certain general fund growth tests are met. (*South Carolina Department of Revenue press release.*)

Utah

The personal income tax rate was lowered from 4.95% to 4.85% retroactive to January 1, 2022, under [SB 59](#).

Vermont

The supplemental withholding rate is 30% of federal income tax withheld and 6% for payments under a nonqualified deferred compensation plan. (*Vermont Income Tax Withholding Instructions, Tables and Charts, p.3.*)

Virginia

The supplemental withholding rate is 5.75%. (*Virginia Income Tax Withholding Guide For Employers, p.16.*)

Wisconsin

The supplemental withholding method is explained in the Wisconsin Withholding Tax Guide, [p.24](#).

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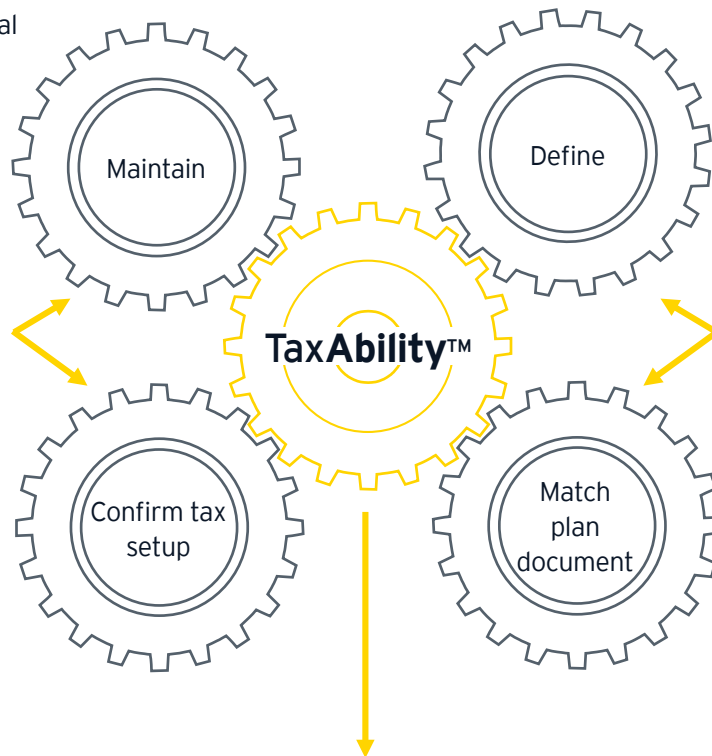
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