

2025 PAYROLL UPDATE

FEDERAL CHANGES:

IRS W-4 Form for 2025

- **2025 W-4 form (English):** <https://www.irs.gov/pub/irs-pdf/fw4.pdf>
- The IRS' [Understanding the 2020 Form W-4 and How to Use it to Calculate Withholding](#) webinar is now posted to the IRS video portal. This hour-long webinar covers:
 - Reasons for a new design of the W-4
 - Explanation of Steps 1-5 of the Form W-4
 - Explanation of who must use it
 - Illustration of how to complete two of the five worksheets from Publication 15-T
 - Recorded Q&A session from the live event

IRS Releases Publication 509 for 2025: <https://www.irs.gov/pub/irs-pdf/p509.pdf>

2025 Federal holidays are as follows:

- January 1, 2025- New Year's Day
- January 20- Birthday of Martin Luther King Jr
- February 17- Birthday of George Washington (President's Day):
- May 26- Memorial Day
- June 19- Juneteenth National Independence Day
- July 4- Independence Day
- September 1- Labor Day
- October 13- Columbus Day
- November 11- Veterans Day
- November 27- Thanksgiving Day
- December 25- Christmas Day

** Remember that a statewide legal holiday does not delay a due date for making a federal tax deposit.*

IRS Releases 2024 Form 940: <https://www.irs.gov/pub/irs-pdf/f940.pdf>

- Publication 15, The Circular E. It is now available on the IRS website: <https://www.irs.gov/pub/irs-pdf/p15.pdf>

IRS Releases 2025 Standard Mileage Rates

The IRS released Notice 2025-005 <https://www.irs.gov/pub/irs-drop/n-25-05.pdf> providing the 2025 standard mileage rates.

Beginning January 1, 2025, the standard mileage rates for the use of a car (vans, pickups or panel trucks) will be:

- 70.0 cents per mile for business miles driven, up from 67.0 cents for 2024
- 21 cents per mile driven for medical or moving purposes, unchanged from 2024
- 14 cents per mile driven in service of charitable organizations, unchanged from 2024

IRS Releases 2025 Pension Plan Limits:

▪ **Highlights of Changes for 2025**

The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is \$23,500, up from \$23,000 for 2024. The additional catch-up contribution limit for individuals aged 50 and over remains \$7,500, unchanged from 2024. New for 2025 is the introduction of a new Super Catch Up for individuals who will be aged 60, 61, 62 or 63 at December 31, 2025. The Super Catch Up limit for those individuals is \$11,250.

The limit on annual contributions to an IRA remains \$7,000, unchanged from 2024. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains \$1,000.

The income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement Arrangements (IRAs), to contribute to Roth IRAs and to claim the saver's credit all increased for 2025.

Taxpayers can deduct contributions to a traditional IRA if they meet certain conditions. If during the year either the taxpayer or their spouse was covered by a retirement plan at work, the deduction may be reduced, or phased out, until it is eliminated, depending on filing status and income. (If neither the taxpayer nor their spouse is covered by a retirement plan at work, the phase-outs of the deduction do not apply.) Here are the phase-out ranges for 2025:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is \$79,000 to \$89,000, up from \$77,000 to \$87,000.
- For married couples filing jointly, where the spouse making the IRA contribution is covered by a workplace retirement plan, the phase-out range is \$126,000 to \$146,000, up from \$123,000 to \$143,000.
- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$236,000 and \$246,000, up from \$230,000 and \$240,000.
- For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.

The income phase-out range for taxpayers making contributions to a Roth IRA is \$150,000 to \$165,000 for singles and heads of household, up from \$146,000 to \$161,000. For married couples filing jointly, the income phase-out range is \$236,000 to \$246,000, up from \$230,000 to \$240,000. The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.

The income limit for the Saver's Credit (also known as the Retirement Savings Contributions Credit) for low- and moderate-income workers is \$79,000 for married couples filing jointly, up from \$76,500; \$59,250 for heads of household, up from \$57,375; and \$39,500 for singles and married individuals filing separately, up from \$38,250.

The amounts individuals can contribute to their SIMPLE retirement accounts is increased to \$16,500, up from \$16,000 in 2024.

Additional changes made under the SECURE 2.0 Act are as follows:

- The limitation on premiums paid with respect to a qualifying longevity annuity contract to \$210,000, up from \$200,000 in 2024.
- Added an adjustment to the deductible limit on charitable distributions. For 2025, this limitation is increased to \$108,000, up from \$105,000 in 2024.
- Added a deductible limit for a one-time election to treat a distribution from an individual retirement account made directly by the trustee to a split-interest entity. For 2025, this limitation is increased to \$54,000, up from \$53,000.

Social Security (OASDI) Program Rates & Limits 2025

Tax Rates

| | |
|--|-------|
| Social Security (Old-Age, Survivors, and Disability Insurance) | |
| Employers and Employees | 6.20% |
| Medicare (Hospital Insurance) | |
| Employers and Employees | 1.45% |
| Additional Medicare | 0.9% |

(Applies to earned income of more than \$200,000. Employers withhold this tax on wages in excess of \$200,000 regardless of an employee's filing status.)

Maximum Taxable Earnings

| | |
|-------------------------------|-----------|
| Social Security | \$176,100 |
| Medicare (Hospital Insurance) | No limit |

Earnings Required for Work Credits

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|---|---------|
| One Work Credit (One Quarter of Coverage) | \$1,810 |
| Maximum of Four Credits a Year | \$7,240 |

Earnings Test Annual Exempt Amount

| | |
|--|----------|
| Under Full Retirement Age for Entire Year | \$23,400 |
| For Months Before Reaching Full Retirement Age in Given Year | \$62,160 |
| Beginning with Month Reaching Full Retirement Age | No limit |

Maximum Monthly Social Security Benefit for Workers Retiring at Full Retirement Age \$4,018

Full Retirement Age 66 years, 10 months

Social Security Wage Base Increases to \$176,100 for 2025

On October 10, the Social Security Administration (SSA) announced that the 2025 social security wage base will be \$176,100, an increase of \$7,500 from \$168,600 in 2025 [\[SSA, Press Release, 10-10-2024\]](#).

The FICA tax rate remains 7.65% for 2025 up to the social security wage base (see the [Social Security Fact Sheet: 2025 Social Security Changes](#)). The maximum social security tax employees and employers will each pay in 2025 is \$10,918.20, an increase of \$465.00 from \$10,453.20 in 2024.

2025 Income Tax Withholding Tables: <https://www.irs.gov/pub/irs-pdf/p15t.pdf>

Minimum Wage:

- **Federal Minimum Wage remains at \$7.25 per hour**
- **Federal Minimum Salary remains at \$684 per week, or \$35,568 annually**

STATE CHANGES:

2025 California Employer's Guide (DE 44): https://edd.ca.gov/pdf_pub_ctr/de44.pdf

Schedule for California Minimum Wage rate 2025.

| Date | Minimum Wage for All Other Employees | Minimum Wage for "Fast Food Restaurant Employees" |
|-----------------|--------------------------------------|---|
| January 1, 2025 | \$16.50/hour | \$20.00/hour |

California Minimum Salary: The exempt salary threshold increases for January 1, 2025 are as follows:
 All employers, regardless of size: \$1,320 weekly, \$5,720.00 monthly, or \$68,640 yearly

2025 Minimum Wage by State:

| | |
|----------------|---|
| Alabama | \$7.25 |
| Alaska | \$11.91 (increased to \$13.00 at 7/1/2025) |
| Arizona | \$14.70 |
| Arkansas | \$11.00 |
| California | \$16.50 |
| Colorado | \$14.81 |
| Connecticut | \$16.35 |
| Delaware | \$15.00 |
| Florida | \$13.00 (increased to \$14.00 at 9/30/2025) |
| Georgia | \$7.25 |
| Hawaii | \$14.00 |
| Idaho | \$7.25 |
| Illinois | \$15.00 |
| Indiana | \$7.25 |
| Iowa | \$7.25 |
| Kansas | \$7.25 |
| Kentucky | \$7.25 |
| Louisiana | \$7.25 |
| Maine | \$14.65 |
| Maryland | \$15.00 |
| Massachusetts | \$15.00 |
| Michigan | \$10.56 (increased to \$12.48 at 2/21/2025) |
| Minnesota | \$11.13 |
| Mississippi | \$7.25 |
| Missouri | \$13.75 |
| Montana | \$10.55 |
| Nebraska | \$13.50 |
| Nevada | \$12.00 (TBA increase at 7/1/2025) |
| New Hampshire | \$7.25 |
| New Jersey | \$15.49 for most employers; \$14.53 for seasonal and small employers who have less than six workers. |
| New Mexico | \$12.00 |
| New York | \$16.50 for New York City, Long Island and Westchester County; \$15.50 for the rest of the state. |
| North Carolina | \$7.25 |
| North Dakota | \$7.25 |
| Ohio | \$10.70 for employers with annual gross receipts of \$394,000 or more. \$10.70 per hour for nontipped employees and \$5.35 per hour for tipped employees. |
| Oklahoma | \$7.25 |

| | |
|---------------------|---|
| Oregon | Basic minimum wage is \$14.70, \$15.95 for Portland Metro Area and \$13.70 for non-urban counties. (TBA increase at 7/1/2025) |
| Pennsylvania | \$7.25 |
| Rhode Island | \$15.00 |
| South Carolina | \$7.25 |
| South Dakota | \$11.50 |
| Tennessee | \$7.25 |
| Texas | \$7.25 |
| Utah | \$7.25 |
| Vermont | \$14.01 |
| Virginia | \$12.41 |
| Washington, D.C. | \$17.50 (TBA increase on 7/1/2025) |
| Washington | \$16.66 |
| West Virginia | \$8.75 |
| Wisconsin | \$7.25 |
| Wyoming | \$7.25 |