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INFORMATION CONCERNING 2026 PAYROLL TAXES

SOCIAL SECURITY AND MEDICARE RATES

Wages/earnings subject to FICA tax	\$184,500
Employee withholding FICA tax	6.20%
Employer FICA rate	6.20%
Wages/earnings subject to MEDICARE tax – (no limit; all wages are taxable)	
Employee withholding Medicare tax rate	1.45%
Employer matching Medicare tax rate	1.45%

FEDERAL WITHHOLDING TAX

New withholding tables will go into effect January 1, 2026. **The Circular E is available on the Internal Revenue Service website (www.irs.gov).**

PENNSYLVANIA WITHHOLDING TAX

Pennsylvania withholding tax rate for 2026	3.07%
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PENNSYLVANIA UNEMPLOYMENT TAXES

Employee unemployment tax withholding rate on <u>all</u> wages for 2026	.07%
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Employer wages/earnings subject to Pennsylvania unemployment Tax	\$ 10,000.00
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Contribution Rates vary by employer

INFORMATION CONCERNING 2026 PAYROLL TAXES (Continued)

FEDERAL UNEMPLOYMENT TAXES

Employer wages/earnings subject to Federal unemployment tax	\$ 7,000.00
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Rate used to estimate quarterly Federal unemployment tax deposit.	.006
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LOCAL WITHHOLDING TAX

Local Wage tax withholding rate – based on employee residence (A non-resident rate could apply – ask for details)	Various
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MISCELLANEOUS

Minimum wage (Pennsylvania)	\$ 7.25 per hour
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Supplemental Federal withholding rate for 2026	22.0%
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Standard Mileage Rate for Business Purposes	\$ 0.725 Per Mile
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INFORMATION CONCERNING 2026 PAYROLL TAXES (Continued)

DEPOSIT REQUIREMENTS

FEDERAL

All employment, excise and corporate income taxes must be filed and paid using the Electronic Federal Tax Payment System (EFTPS). (EFTPS offers two methods of depositing the taxes: Via the Internet or Telephone.) The Internal Revenue Service will notify you whether you will be a monthly or semi-weekly depositor. Your deposit schedule is determined by a lookback period. The lookback period for 2026 is the third and fourth quarters of 2024 and the first and second quarters of 2025.

MONTHLY RULE

An employer will be a monthly depositor for 2026 if the total employment taxes for the lookback period was \$50,000 **or less**. Federal withholding, Social Security, and Medicare taxes accumulated during the month must be deposited by the 15th of the following month.

SEMIWEEKLY RULE

An employer will be a semiweekly depositor for 2026 if the total employment taxes for the lookback period was **more than** \$50,000. Under this rule if the employer's payday is Wednesday, Thursday or Friday, the payroll tax deposit would be due the following Wednesday. If the payday is Saturday, Sunday, Monday or Tuesday, the deposit must be made by the following Friday.

Two exceptions to these rules have been provided for an employer whose total tax liability is:

- a. Less than \$2,500 for the quarter. No deposit is required and the total liability may be paid with Form 941 when filed at the end of the quarter.
- OR
- b. Less than \$1,000 annually. No deposits are required and the total liability will be paid with Form 944 at the end of the year. The Internal Revenue Service **will notify** those employers' who will be **required** to file Form 944.

ADDITIONAL MEDICARE TAX

Employees only can expect to pay an additional 0.9% Medicare tax on earnings over a threshold amount fixed by law. **(There is no employer match of this additional tax.)**

The tax applies to earnings over:

- \$200,000 for singles, heads of household, and qualifying widow(er)s
- \$250,000 for married filing jointly **
- \$125,000 for married filing separately

**This tax will be imposed on the combined earnings of spouses in excess of the \$250,000 threshold when filing their 2026 individual tax return. It is possible that this tax will be due even if no withholding is computed.

INFORMATION CONCERNING 2026 PAYROLL TAXES (Continued)

Employer is not obligated to withhold the additional tax unless the employee receives wages from the employer in excess of \$200,000. For this purpose, the employer is permitted to disregard the amount of wages received by the employee's spouse as well as wages received by another employer.

FEDERAL UNEMPLOYMENT TAX

Deposit of Federal Unemployment Tax (FUTA) is required when the tax liability exceeds \$500. Multiply .006 times the taxable wages. When your accumulated liability exceeds \$500, a deposit is required within (30) days after the end of the quarter.

PENNSYLVANIA

Pennsylvania employers must file and pay withholding taxes via the Internet (myPath). To begin filing and paying the withholding taxes using the Internet, access www.mypath.pa.us to register. ***PA has phased out the TeleFile system effective 12/31/2025. To use the TeleFile system you must file a Telefile Request Form.*** (Please note the only options for eligibility to use the telefile system are religious exemption or inability to access the internet.) Please contact our office if you need additional assistance or have any questions.

The PA Department of Revenue will notify you whether you will be a monthly or semi-weekly depositor.

MONTHLY RULE

An employer will be a monthly depositor for 2026 if the total withholding tax is \$300 to \$999 per quarter. The taxes must be deposited by the 15th of the following month.

SEMIMONTHLY RULE

(Periods 1st through 15th of the month and the 16th through the end of the month). An employer will be a semimonthly depositor for 2026 if the total withholding tax is \$1,000 to \$4,999 per quarter. The taxes are due within 3 banking days of the close of the period.

SEMIWEEKLY RULE

An employer will be a semiweekly depositor for 2026 if the total withholding is \$5,000 or greater per quarter or \$20,000 or more per calendar year. If the payday is Wednesday, Thursday or Friday, the payroll tax deposit would be due the following Wednesday. If the payday is Saturday, Sunday, Monday or Tuesday, the deposit must be made by Friday.

FILING FORMS W-2

If you are reporting 10 or more W-2 wage records on the Annual Withholding Reconciliation Statement (REV-1667), they must now be filed electronically.

INFORMATION CONCERNING 2026 PAYROLL TAXES (Continued)

PROCEDURES FOR NEW EMPLOYEES

All new employees must complete and sign three forms: Form W-4, Form I-9 and Residency Certification Form. **These forms must be on file at all times with the employer.**

(1) **FORM W-4**

This form is used to determine the amount of federal tax to be withheld.

ALL EMPLOYERS MUST HAVE A CURRENT, COMPLETED COPY ON FILE FOR EACH EMPLOYEE. A new Form W-4 is required to be prepared each time a change is made in withholding exemptions by an employee, marital status change or a name change. This form may be obtained from our office or by calling the Internal Revenue Service at 1-800-829-4933 or visit the IRS website at www.irs.gov.

(2) **I-9 FORMS**

Form I-9 is to be used to verify that persons you hire are eligible to work in the United States. **ALL EMPLOYERS MUST HAVE A COMPLETED I-9 ON FILE FOR EACH EMPLOYEE.** This information may be obtained from our office or by requesting copies from (these forms may be photocopied or printed):

Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402

(3) **RESIDENCY CERTIFICATION FORM**

This form is used to determine the amount of local tax to be withheld from each employee as well as where the tax will be distributed by the tax collection agency. **ALL EMPLOYERS MUST HAVE A COMPLETED FORM ON FILE FOR EACH EMPLOYEE.** A new Certificate of Residence is required when an employee moves. This form may be obtained from our office or visit the PA Department of Community & Economic Development website at www.newPA.com

(4) **NEW HIRE REPORTING FORM**

All employers are required to report information about **all new hired** employees to the State of Pennsylvania within twenty (20) days of their hiring date. This form may be obtained from our office or by requesting copies from the Commonwealth of Pennsylvania at 1-888-724-4737.

Any amounts withheld from payroll **except taxes and child support payments** should be specifically authorized (in writing) by the employee.

INFORMATION CONCERNING 2026 PAYROLL TAXES (Continued)

LANCASTER COUNTY WITHHOLDING/FILING REGULATIONS

Lancaster County Tax Collection Bureau **requires** all employers to **file** Individual Earned Income Tax details **electronically**. (The tax may be paid electronically or by paper check using a payment voucher.)

1. Employers will need the full Employee Name, Social Security Number, Current Address and PSD Code (found on the employee's completed Residency Certification Form). Employers will also need the Local Taxable Wages and the Local Tax Withheld.

LOCAL SERVICES TAX

Withholding Requirements: If the applicable tax is more than \$10, the employer must withhold the tax based on payroll frequency. For example (based on a tax of \$52):

\$1.00/pay for weekly payrolls	\$2.00/pay for bi-weekly payrolls
\$2.16/pay for semi-monthly payrolls	\$4.33/pay for monthly payrolls

If the tax is \$10 or less, the employer can withhold it in one lump sum.

The earnings threshold is \$12,000 from all sources of **EARNED INCOME** (earnings and net income from business). If an individual reasonably expects to earn less than \$12,000 annually, or if the tax is being withheld by another employer, an exemption form may be filed. **The employee is responsible for completing and signing the exemption form and submitting it to the employer.** The employer is then required to submit a copy of the exemption to the Tax Bureau and retain the original in their files.

PA UNEMPLOYMENT COMPENSATION

Pennsylvania requires mandatory electronic filing of all quarterly PA UC-2 and UC-2A forms via the Unemployment Compensation Management System (UCMS). Payments may be done electronically (ACH Credit or Credit Card) OR via mail using a payment coupon printed after filing. **However, payments over \$1,000 must be done electronically.**

Employers may register their account with UCMS at www.us.pa.gov, click on Employer and follow the instructions to 'Register a Business'.

Employer's without access to a computer and who do not wish to use third party tax preparers, will be able to apply for a **temporary** waiver. However, the waiver application must be approved by the Department of Labor and Industry **each quarter**. (The UCMS has stated that very few waivers will be granted). Failure to file the returns electronically will result in a fine of up to \$250 per quarter of non-compliance.

INFORMATION CONCERNING 2026 PAYROLL TAXES (Continued)

SECTION 125 (CAFETERIA) PLANS

Deductions for Section 125 Plans are exempt from Federal Income Tax, Social Security and Medicare Taxes (both employee and employer shares), Federal Unemployment Tax (FUTA), Pennsylvania Income Tax withholding and Local Tax withholding. These deductions **are not** exempt from Pennsylvania Unemployment Tax.

VERIFICATION OF NAMES AND SOCIAL SECURITY NUMBERS

The IRS has announced that it will impose a minimum \$60 penalty per W-2 on employers who file Forms W-2 with employee names and Social Security numbers that do not match the Social Security Administration's records, unless the employer can demonstrate reasonable cause.

Employers may verify social security numbers using one of the following methods:

- www.ssa.gov – Business Services On-Line tab
- www.uscis.gov – E-verify tab
- www.irs.gov – TIN Matching

Employers may hire employees who have applied for a SSN but not yet received it. The employer should verify the person's eligibility for employment and determine that the employee has applied for an SSN.

INFORMATION CONCERNING 2026 PAYROLL TAXES (Continued)

2026 PENSION INFORMATION

PENSION PLAN LIMITATIONS:

Salary Deferral Limits (pretax)

401(k) (403(b) 501(c)(18)(D)	\$ 24,500
457(b) Tax exempt organizations	
(including state and local governments)	24,500
* Catch-up Contributions – Participant over age 50	8,000
* Catch-up Contributions – Participant age 60 – 63	11,250
408(p)(2)(E) Simple Retirement Accounts	17,000
Simple Plans Catch-Up Contributions – Participant over age 50	4,000

* Highly compensated employee Catch-up Contribution must be in the form of a Roth Contribution.

Annual Benefits Limits-Section 415

Defined contribution plans	72,000
Defined benefit plans	290,000

Compensation

Definition of highly compensated employee	160,000
Qualified plans annual compensation limit	360,000
Key employee in a 'top heavy' Plan Participant	235,000

If you have any questions on the material contained in this letter, please feel free to contact us for assistance or explanation.