

## 2025 Payroll Tax Guide

This article is intended to be your 2025 payroll tax guide. We have summarized the more significant rules and withholding rates relating to your payroll function. This guide should be used in addition to the Internal Revenue Service and Franchise Tax Board payroll tax publications. The rates and maximums for payroll taxes have changed for the upcoming year.

### EMPLOYEE Portions

Type of Tax	Withholding Tax Rate	Maximum Wage	Maximum Tax Withheld
Social Security (FICA)	6.20%	\$ 176,100.00	\$ 10,918.20
Medicare	1.45%	Total Wages	No Limit
Additional tax on wages exceeding \$200,000	0.90%	No Limit	No Limit
CA State Disability Insurance (SDI)	1.20%	No Limit	No Limit
Federal Personal Income Tax (FIT)	Varies See IRS Pub. 15 (Circular E) Employer's Tax Guide (See Note 1)	Total Wages	No Limit
State Personal Income Tax (PIT)	Varies See EDD Pub. DE 44 (See Note 1)	Total Wages	No Limit

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Federal Unemployment Tax (FUTA)	0.60% (Full rate of 6.00% reduced by 5.4% state credit, net rate of .6%) (See Note 2)	\$ 7,000.00	\$ 42.00
California Unemployment Insurance (SUI)	* 3.4%	\$ 7,000.00	Varies

\* New employers are initially assigned a rate of 3.4%. Rate may change each year based upon CUIC criteria. (See Note 3)

### Note 1

#### Supplemental wage withholding rates

The federal withholding rate on supplemental wages, such as bonuses, is 22%, or if wages are in excess of \$1 million during a calendar year the rate is 37% (or the highest rate of income tax for the year). The California wage withholding rate on bonuses and stock options at all wage levels is 10.23%; for other supplemental wages, the withholding rate is 6.6%.

## **Note 2**

### **Federal Unemployment Tax (FUTA)**

FUTA tax wage base remains at \$7,000 for 2024 with a contribution of 6.0% with a state credit of 5.4%, resulting in a net tax rate of 0.6%. Annually, in November, California is scheduled to make an unemployment insurance payment; California defaulted on their payment, thus the 2024 credit was reduced, resulting in a FUTA rate of 1.5% for 2024, with the final payment due with the annual Form 940 due by January 31, 2025. The rate for 2025 will begin with the net tax rate of 0.6%, with final determination of the state credit in November 2025.

## **Note 3**

### **California State Unemployment Insurance (SUI) and State Employment Training Tax (ETT)**

The maximum payroll per employee subject to California State Unemployment Insurance remains at \$7,000. The SUI, ETT, and SDI tax rates are combined on a single rate notice, Form DE 2088; Notice of Contribution Rates and Statement of UI Reserve Account. The DE 2088 is mailed annually in December. Employers have 60 days from the December mailing date to protest any unemployment insurance figure they believe to be erroneous. The automated 24-hour telephone line that you can call for your SUI rate is 1-888-745-3886 or can be accessed online at <https://eddservices.edd.ca.gov/tap/open/rateinquiry/#1>.

### **Deposit Methods and Schedules**

Employers are required to electronically submit employment tax returns, wage reports and payroll tax deposits to the Employment Development Department (EDD). Employers may enroll in the EDD e-Services for Business to fulfill these requirements. Federal deposit methods and deposit schedules remain unchanged from last year. Penalties apply for using incorrect payment methods and for filing late, so be sure to check with us if you have any questions.

### **New Employee Registry**

All California employers are required by law to report all new employees to the New Employee Registry (NER) within 20 days of their start-of-work date. Any employee who is newly hired, rehired, or returning to work from a furlough, separation, termination, or leave of absence without pay is considered a new employee. Report all new employees on Form DE 34. If you acquire an ongoing business and employ any workers from the acquired company, these employees are considered new employees and must also be reported to the EDD. The EDD may assess a penalty of \$24 for each failure to report the required new employee information (\$490 for intentional disregard).

### **Independent Contractor(s) for Federal (1099s)**

All 1099 Forms must generally be filed with the Internal Revenue Service by February 28, 2025 (March 31, 2025 if filing electronically); however, form 1099-NEC (for non-employee compensation) must be filed by January 31, 2025, along with Form 1096, *Annual Summary and Transmittal of U.S. Information Returns*. Submit a separate Form 1096 for each type of 1099 information return you file. Additionally, you are required to furnish statements to recipients containing the information furnished to the IRS by January 31, 2025. Forms 1099-B, 1099-S, and 1099-MISC (only if you are reporting payments in boxes 8 or 14) must be furnished by February 15, 2025. You are required to include the telephone number of a contact person on the statements to the recipients. Use Form W-9, *Request for Taxpayer Identification Number and Certification*, to obtain necessary information from the recipient. Please see our 1099 requirements annual letter for more information.

### **Report of Independent Contractor(s) for California (DE 542)**

The State of California Employment Development Department (EDD) has a separate reporting requirement for payments made to independent contractors. Any payer required to file form 1099-NEC for services provided by an independent contractor must file Form DE 542 with the EDD within 20 days of either making payments totaling \$600 or more, or entering into a contract for \$600 or more in any calendar year, whichever is earlier. The purpose of this requirement is to enable EDD to increase child support collection by helping to locate parents who are delinquent in their child support obligations.

We appreciate the opportunity to serve you. Please contact us if you have any questions or would like further clarification or assistance.