

Deadlines for 2025

The federal government requires employer copies of W-2's to be filed by **January 31st**. All payroll data must be processed by **December 31st**.

We will be mailing W2's directly to your employees by the last week of January. Any address changes must be entered in the system by December 31st. For added security the SSN will be masked except for the last 4 digits.

You need to notify us of any earnings or tax information that is not part of your ordinary payroll, but needs to be reported on your employees' W-2's. Please notify us prior to **December 15th** if you anticipate any supplemental or adjustment payroll runs. Reporting taxable fringe items with your regularly scheduled payroll allows associated taxes to be withheld from your employee's normal payroll check. If they are reported separately or the affected employee has terminated, the employer will often have to fund both employee and employer shares.

Some of the items to consider are:

Manual Checks, voids or bonuses paid after your last scheduled payroll run for the year
'S' Corporation officer's medical
Employer provided life insurance in excess of \$50,000
Personal use of company provided vehicles
Reportable qualifying employee gifts or awards
Employer contributions to a non-qualified deferred compensation or retirement plan
Any other taxable fringe benefits (Employer HSA Contributions for W2 Disclosure and CA Tax Reporting, Health Club Memberships, Unsubstantiated Cash Payments, etc.)
Employer paid moving expenses
Allocated Tips
Sick or disability pay reported to you by a third-party administrator

If you are unable to quantify any of these items before year end, please email us to let us know when you will have the information necessary to prepare and file your W-2's. Keep in mind that any 2025 payroll runs after year end will likely result in a late deposit of payroll

taxes and will carry a minimum fee of \$500 to re-file a previously closed year. You must provide us with any significant company changes or additions at least **3 weeks** prior to the first scheduled 2026 payroll. Changes to voluntary deductions, accrual plans and GL mappings are examples of items requiring re-configuration time.

FUTA Credit Reduction Payrolls

California is a credit reduction state since it has borrowed from the Federal government to fund unemployment benefits and hasn't repaid the loan within the mandated two-year time frame. A reduction in the usual credit against FUTA tax means employers paying wages in the determined states will owe a greater amount of FUTA tax, due January 31, 2026. The Federal government reduces the employer's FUTA credit, thus increasing FUTA by .3%. Each year the loans go unpaid, the FUTA surcharge rate increases by .3%.

The 2025 FUTA surcharge tax rate will be 1.2% on taxable FUTA wages for employees in these states. We will be processing the FUTA Credit Reduction payrolls in the final week of 2025.

ACA Reporting Deadlines

Employers that had at least 50 full-time employees, including full-time equivalent employees on average last year, are required to provide Form 1095C to the employee by **January 31st**. Employers with over 10 tax forms must file the forms electronically via the IRS e-services website. The electronic filing deadline is **March 31st**.

Insurance Broker Integration to Employee Navigator Benefits

The Employee Navigator integration automatically syncs employee demographic data and payroll deduction data between Innovative and Employee Navigator in near real-time whenever there is a change or when an employee enrolls in a benefit plan on Employee Navigator. Please call us for more details on pricing and availability.

California Minimum Wage \$16.90

The minimum wage rate in California will increase to \$16.90 per hour for all employees on January 1, 2026.

NOTE: Some cities, counties and industries have a local minimum wage that is higher than the state rate. Visit our Year End Hub for links to wage rate details.

Secure Act 2.0: Roth Catch Up

Starting in 2026, all catch-up 401(k), 403(b) and 457(b) contributions for participants aged 50 and older who earn more than \$150,000 (FICA wages) in the prior year must be made on a Roth (after-tax) basis. In addition, participants aged 60 through 63 can contribute significantly higher catch-up amounts (\$11,250 in 2026).

For clients with a Roth component in their plan, Innovative will be configuring the system to comply with these provisions in 2026. Clients should contact their retirement plan providers to discuss changes required to plan documents, report exports and contribution file specifications. Please communicate any pertinent changes to Innovative at least 3 weeks prior to year-end.

IRS One Big Beautiful Bill Update

The IRS has announced that there will be no changes to 2025 forms W2, 1099 and 941 related to the One, Big, Beautiful Bill Act. This will allow employers and payroll providers to continue using current procedures for reporting and withholding. Additionally, the IRS has provided temporary penalty relief for 2025, allowing employers to comply with new information reporting requirements for cash tips and overtime compensation without facing penalties.

Innovative Year End Hub

Check out our Year End Hub at

www.ibspayroll.com/year-end-hub



Scan QR Code with your cell phone camera to access the Year End Hub

FEDERAL TAX RATES:

	FSOC	FMED
Maximum Earnings	\$184,500	No Limit
Rate of Tax - Employer	6.2%	1.45%
Rate of Tax - Employee	6.2%	1.45% up to \$200k 2.35% over \$200k
Maximum Deduction	\$11,439	No Limit
		FUTA
Maximum Earnings		\$7,000
Net Tax (After Maximum Allowable Credit)		0.6%
Federal Withholding Supplemental Tax Rate	22%	
Mileage Reimbursement		TBD

CALIFORNIA TAX RATES:

	CADI	CAUI	ETT
Employee or Employer Tax	Employee	Employer	Employer
Maximum Earnings	No Limit	\$7,000	\$7,000
Rate of Tax	1.3%	3.4% *	0.1% *

*New Employer Rates

CA Withholding Supplemental Rates

Bonus/Stock Options	10.23%
All Other Supplemental Pay	6.60%

CA Minimum Wage

\$16.90 per hour *

* Local & Industry Rates May Vary

F.S.A. LIMITS:

	Limit
Dependent Care	\$ 7,500
Medical Expenses	\$ 3,400

H.S.A. LIMITS:

Plan	Limit	Catch-Up Contrib. (age 55 & over)
Individual	\$ 4,400	\$ 1,000
Family	\$ 8,750	\$ 1,000

PENSION PLAN LIMITS:

Plan	Limit	Catch-Up Contrib. (age 50 & over*)
401k, 403b, ROTH	\$ 24,500	\$ 8,000
408p (SIMPLE Plans)	\$ 17,000	\$ 4,000
457 (Qualified)	\$ 24,500	\$ 8,000
457 (Deferred Compensation)	\$ 24,500	N/A

*SECURE Act 2.0 - as of 2026, certain plan modifications have set special catch up limits of \$11,250 for those aged 60-63 for certain retirement plans

FEDERAL TAX DEPOSIT RULES:

Rule	Determination for Base Period	Deposit Requirements	
		Check Day	Deposit Day
Monthly	If the accumulated tax liability is less than or equal to \$50,000 for the base period	Any Day	Deposit Monthly by the 15th of the following month
Semi-Weekly	If the accumulated tax liability is greater than \$50,000 for the base period	Wednesday-Friday	Following Wednesday
		Saturday-Tuesday	Following Friday
Exception Rules	Tax Liability Amount	Deposit Day	
\$2500 Rule	If the tax liability is less than \$2500 for the entire quarter	Liability may be paid with the quarterly tax return	
\$100,000 Rule	If the accumulated tax liability is \$100,000 or more for any check date	Deposit next business day	

The deposit schedule for an employer during a calendar year is based on four quarters. The deposit frequency base period is July 1st to June 30th of the previous year. For 2026, the base period is July-September (3rd qtr) 2024, October-December (4th qtr) 2024, January-March (1st qtr) 2025, April-June (2nd qtr) 2025. The IRS will notify employers of their deposit frequency in November. However, it is the employer's responsibility to deposit federal taxes at the correct frequency if the notice is wrong.

CALIFORNIA STATE TAX DEPOSIT RULES:

Your Federal Deposit Schedule is	And You Have Accumulated State PIT Withholding	SDI & PIT Deposit Required	If Payday is	Deposit Due
Next Banking Day	Less than \$350	NO	Any day	Quarterly
	\$350 to \$500	YES	Any day	15th of following month
	More than \$500	YES	Any day	Next Banking Day
Semi-Weekly	Less than \$350	NO	Any day	Quarterly
	\$350 to \$500	YES	Any day	15th of following month
	More than \$500	YES	Wed-Fri	Following Wednesday
	More than \$500	YES	Sat-Tues	Following Friday
Monthly	Less than \$350	NO	Any day	Quarterly
	More than \$350	YES	Any day	15th of following month
Quarterly	Less than \$350	NO	Any day	Quarterly
	\$350 or more	YES	Any day	15th of following month

Employer contributions to SUI and ETT are due quarterly. For withholding taken for employees' PIT & SDI, CA state deposit rules generally follow federal deposit guidelines. Once an employer makes a next banking day deposit, they automatically become a semi-weekly depositor for the remainder of that calendar year and all of the following year.