

## **Federal**

- Starting in 2025 the way tips and overtime are taxed has changed due to the new One Big Beautiful Bill Act (OBBBA).  
There is a federal income tax deduction on tips up to \$25,000.00 per return no matter the filing status.  
The federal income tax deduction on overtime is for the premium amount (the half time) only and up to \$12,500.00 for single and \$25,000.00 MFJ.  
You must have a valid SSN to take either deduction and you do not qualify if your filing status is married filing separate for either deduction.
- Social Security Tax base increases to \$184,500.00 which means earnings up to this amount are subject to the 6.2 Social Security Tax.
- Medicare will not have a dollar amount limit for 2026 and wages will be taxed at the 1.45%.
- Employers can create an account online with the Social Security Administration to be able to verify employee SSN.
- 401k contribution limit increases to \$24,500.00.
- The limit on annual contributions to an IRA will increase to \$7,500.00. The IRA catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment increases to \$1,100.
- The amount individuals can contribute to their SIMPLE retirement accounts will increase to \$17,000.00 with a catch up limit of \$4,000.

## **Oregon**

- Paid Leave contributions are paid by employees (60%) and employers (40%) if the employer has over 25 employees. Small employers (less than 25 employees) are not required to pay the employer portion (40%) of contributions, but they still must withhold and submit the employee portion of contributions with their payroll reports. The tax rate will stay at 1% of employees' wages.
- Beginning July 1, 2023, the Oregon minimum wage rate will be adjusted annually based on the Consumer Price Index. They will announce the increase amount by 5/31/26.
- Unemployment wage base will increase to \$56,700.00.
- WBF's assessment rate will decrease to 1.8 cents per hour worked.
- Oregon Saves – Any business with employees in Oregon that doesn't offer an employer-sponsored retirement plan is required to facilitate the state's plan. Employees may all opt out, but the employers must register. If employees do not actively OPT out the deduction will begin automatically. Links below to opt out. Helpful OR links:

<https://paidleave.oregon.gov/employers/Pages/default.aspx>

<https://www.sumday.com/retrieve/oregonsaves> - Employers should be notified by Oregon Saves and that notice should have an access code for them to use to Opt out online.

<https://www.oregonsaves.com/uploads/oregonsaves/attachments/cle8py3c63c3b0isa19pgc8ea-oregonsaves-secure-choice-autoenroll-notice-wform-1-4-ada.pdf>

Employees can fill out this PDF and mail it in to opt out – Address located on the form, or they can call the number 844-661-6777 to opt out.

<https://www.oregon.gov/boli/workers/pages/minimum-wage-schedule.aspx>

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## **Washington**

- The unemployment wage base will increase to \$78,200.00 for 2026.
- Minimum Wage increase to \$17.13/hr on 1/1/2026.
- PFML – Premiums due from employees and employers to fund the PFML program increases to 1.13% of the employee's wages, up to the Social Security Cap of \$176,100.00. Employees share 71.43% (0.806%) and Employer with 50 or more employees share 28.57% (0.324%). If employer has less than 50 employee they do not have to pay the employers portion. The employers are responsible to withhold the amounts, file quarterly reports and remit withheld liabilities. Employers may elect to pay some or all the employees' contributions on their behalf.
- Washington Long Term Disability premium collection began on 7/1/2023 and benefits will be available 7/1/2026. This is an employee contribution and withheld from employees checks at 0.58% of their wages for 2026. The employers are responsible to withhold the amounts, file quarterly reports and remit withheld liabilities. Employers may elect to pay some or all the employees' contributions on their behalf.
- Washington Agriculture employees are now paid overtime rates for any hours worked that exceeds 40 hours in a week.
- New state minimum salary levels for employees exempt from overtime are in effect.
  - ◊ Now state salary requirements are higher than federal requirements. All employers no matter the amount of employees must pay a minimum of \$1541.70 a week or \$80168.40 a year.
  - ◊ Employees must meet both salary and job duties tests to be exempt. Remember that WA Paid Sick Leave eligibility (outside of Seattle) is dependent on overtime classification - if not exempt from overtime, employees are not exempt from paid sick leave requirements.

Helpful WA Links:

[https://paidleave.wa.gov/help-center/employers/?utm\\_medium=email&utm\\_source=govdelivery](https://paidleave.wa.gov/help-center/employers/?utm_medium=email&utm_source=govdelivery)

<https://dor.wa.gov/taxes-rates/sales-use-tax-rates/downloadable-database>

<https://www.lni.wa.gov/forms-publications/f700-207-000.pdf>