

2025 Payroll Update

Social Security & Medicare Tax

As of January 1, 2025, the maximum amount of annual earnings subject to Social Security increases to \$176,100 (from \$168,600 in 2024). There is no limit on the amount of earnings subject to the Medicare tax.

The maximum Social Security tax to be deducted from an employee's compensation during 2025 will be \$10,918.20 (6.2% x \$176,100).

The employer Social Security and Medicare tax rate will remain unchanged at 6.2% and 1.45%, respectively. The employee Medicare tax rate will remain at 1.45%, except for high wage earners.

High income taxpayers who have wages, compensation or self-employment income in excess of certain filing status thresholds (\$250,000 if married filing jointly, \$125,000 if married filing separately and \$200,000 for all others), will be subject to an additional Medicare tax of 0.9%. For withholding purposes, wages in excess of \$200,000, regardless of the filing status, will be taxed at a rate of 2.35% (1.45% + 0.9%). Only employees are subject to this additional Medicare tax.

Income Tax Withholding

Federal rates are unchanged. Annual changes to wage brackets tables are found in [Publication 15-T](#). The IRS released the 2025 [Form W-4](#), with a few minor changes. A tip was added that says employees should consider using the IRS's tax withholding estimator to determine the most accurate withholding amount. The amounts in the tax tables for use with the Multiple Jobs Worksheet were also updated. Current employees do not have to submit a new form unless they want to make changes, but are encouraged to file an updated W-4 if they received a large refund or owed taxes in 2024. The IRS online tool, [Tax Withholding Estimator](#), is available to assist with completing the form.

There will be no change in the Maryland (MD), Delaware (DE), District of Columbia (DC), Pennsylvania (PA) or Virginia (VA) withholding tables.

MD's state maximum individual income tax rate remains at 5.75%. At the MD county level, Cecil County's rate decreased slightly from 2.75% to 2.74%. Rates for both Calvert and St. Mary's counties increased from 3.00% to 3.20%. Anne Arundel and Frederick counties have graduated rates that have remained unchanged; they range from 2.7% to 3.2% and 2.25% to 3.2%, respectively. The special nonresident rate remains at 2.25%. You can find additional information on tax rates [here](#).

DE's and VA's maximum individual income tax rates will remain at 6.6% and 5.75%, respectively. DC's maximum individual income tax remains 10.75%. PA's individual income tax rate will remain at 3.07% for 2025.

Supplemental Wages

The federal tax withholding rate on supplemental wages (e.g., bonus payments) exceeding \$1 million during a calendar year remains at 37%. The rate for supplemental wages up to \$1 million subject to a flat rate remains at 22%, unchanged from 2024.

PA and VA also allow flat rate withholding for supplemental pay at rates of 3.07% and 5.75%, respectively. MD rates range from 3.2% to 8.95%.

Unemployment Taxes

The federal unemployment tax (FUTA) deposit rate is 0.6% for 2025. The federal taxable wage base will remain at \$7,000. State taxable wage bases and rates for 2025 are listed on the chart below. Unemployment taxes are paid by the employer. PA employees are responsible for an additional withholding of 0.07% of total wages.

MD and PA require all employers to file quarterly contribution reports electronically. DC employers with at least five employees are required to submit reports electronically.

The minimum threshold amount for quarterly FUTA tax deposits remains at \$500.

State unemployment tax rates vary according to the employer's experience and are sent to the employer annually. 2025 wage bases and preliminary employer rates are as follows:

	Wage Base	2025 Rates
MD	\$8,500	from 0.3% to 7.5%
DE	\$10,500	from 0.3% to 5.4%
DC	\$9,000	from 2.1% to 7.6%
PA	\$10,000	from 1.142% to 10.373%
VA	\$8,000	from 0.10% to 6.20%

Unemployment Online Filing & Assistance

- MD Division of Unemployment Insurance (DUI) BEACON 2.0*: <https://employer.beacon.labor.md.gov>
- DE: <https://labor.delaware.gov/divisions/unemployment-insurance>
- DC DOES: <https://essp.does.dc.gov>
- PA Unemployment Compensation Management System: <https://www.uctax.pa.gov>
- VA: <https://www.vec.virginia.gov/taxes>

**MD employers can access annual rates and confirm filings and payments once registered.*

Tax Deposits

All federal tax deposits (employment tax, excise tax, corporate income tax, etc.) must be made by electronic funds transfer (EFT). Generally, electronic funds transfers are made using the Electronic Federal Tax Payment System (EFTPS). Employers may arrange for their financial institutions to initiate a same-day tax wire payment on your behalf. De Minimis deposit rules still apply for employment taxes of less than \$2,500 for a return period. Those who fail to use EFTPS will be subject to a 10% penalty.

State EFT thresholds for tax payments are as follows: MD - \$10,000 or more; DC - \$5,000 or more; PA - \$1,000 or more; DE and VA require EFT for payment of all state taxes. MD, DC, DE and PA allow online processing of returns. VA requires every employer to file *all* withholding tax returns and payments electronically.

Employers should receive notification from the IRS and state taxing authorities as to the frequency of their depository requirements. Semi-weekly depositors have three banking days to make a deposit. Monthly depositors’ due dates are the 15th day of the next month for DE, MD, PA and the IRS, the 25th for VA and is not required for DC.

Quarterly depositors may remit accumulated tax with the quarterly tax returns, which are generally due the last day of the month following the end of each calendar quarter. MD and DC's quarterly returns are due the 15th and 20th day of the following month, respectively. DE's eighth-monthly depositors' payments are due within three working days after the close of the eighth-monthly period. Eighth-monthly periods end on the 3rd, 7th, 11th, 15th, 19th, 22nd, 25th and the final day of every month.

Through the IRS website, employers can pay electronically using [IRS Direct Pay](#) or access the [IRS Online Tax Calendar](#) to view deposit dates and sign up for email reminders.

Accelerated deposit dates are required for federal tax accumulations of \$100,000, which are due the next business day. VA employers must also remit VA withholding within three days of the date withheld. MD employers who withheld \$15,000 or more during 2024 and currently have accumulated \$700 or more in withholding tax must make a deposit within three business days after the payroll pay date. Employers who can file federal withholding tax returns on a monthly basis may apply to MD for a waiver of the three-day rule described above.

Wage Statements

Federal rules require employers filing 10 or more information returns including W2s and 1099s (in aggregate) to file electronically. DE and PA follow the federal threshold. DC's and MD's requirements remain at 25 or more. VA requires all employers to electronically file. MD and PA allow withholding statements on magnetic media or other machine-readable formats.

Employers required to file at least 50 W-2 forms must report the aggregate cost of employer-sponsored health insurance coverage on the W-2 form. The IRS has granted exemption to companies that file less than 50 W-2 forms until further notice. Employers with more than 50 full-time employees but less than 250 did not previously have to file reports regarding health insurance.

All federal and state Form W-2s are due to the taxing authorities and recipients by **January 31, 2025**.

Employers can set up electronic delivery of Forms W-2 with the employee's consent. Paper copies must be presented if no consent is given.

Information Return Penalties

Penalty amounts for failing to provide timely, complete and correct information returns are as follows:

- \$60 if correctly filed within 30 days (maximum \$683,000 per year or \$239,000 for small businesses)
- \$130 if correctly filed more than 30 days after the due date by August 1 (maximum \$2,049,000 per year or \$683,000 for small businesses)
- \$340 if filed after August 1 or if required returns are not filed (maximum \$4,098,500 per year or \$1,366,000 for small businesses)

Failure to comply with electronic filing requirements could lead to a penalty up to \$340.

Additionally, payers are required to acknowledge their compliance with information return filings on their business income tax returns.

Minimum Wage

The federal minimum wage rate is \$7.25 per hour for employees covered by the Federal Fair Labor Standards Act. PA follows the federal law. Current and future hourly minimum wage rates for DE, DC and VA are as follows:

Effective Date	DE	DC	VA
January 1, 2025	\$15.00	\$17.50	\$13.50
July 1, 2025	-	\$18.00	-
January 1, 2026	-	-	\$15.00

Government contractors and grantees are subject to minimum wages and benefits based on type of contract and grant awards. Review any contracts and grant awards for minimum wage and benefit requirements if your company is performing work on a government contract or government grant.

As of January 1, 2025, the minimum wage for Maryland employers remains at \$15.00 per hour.

Howard County, MD has scheduled increases based on company size. Minimum hourly wages for small (less than 15 employees) and large (15 or more) employers are as follows:

Effective Date	Small	Large
January 1, 2025	\$15.00	\$16.00
January 1, 2026	\$15.50	-
July 1, 2026	\$16.00	***

Montgomery County, MD minimum wage is based on company size. The current hourly minimum wage rates for small employers (10 or fewer employees), midsize employers (11 - 50 employees) and large employers (51 or more employees in the county) are as follows:

Effective Date	Small	Midsize	Large
July 1, 2024	\$15.00	\$15.50	\$17.15
July 1, 2025 and subsequent years	Increase annually by CPI-W	Increase annually by CPI-W + up to 1% until equal to large employers	Increase annually by CPI-W + up to 1% until equal to other employers

***Starting July 1, 2025, employers will be subject to annual increases based on the Consumer Price Index for Urban Wage Earners and Clerical Works for Washington-Arlington (CPI-W) each July 1.

Overtime

The Department of Labor has raised the threshold salary level for exemption from overtime to \$58,656/year (\$1,128/week). It also proposes increasing the Highly Compensated Employee exemption threshold to \$151,164/year as exempt from earning overtime.

Maryland Paid Leave

Starting in 2026, the Family and Medical Leave Insurance (FAMLI) will ensure workers are able to take time away from work, received job protection and earn up to \$1,000 a week for up to 12 weeks continuously or on an intermittent basis. Life events covered by FAMLI include welcoming a child into the home, including adoption and foster care, caring for the employee’s own serious health condition, caring for a family member with a serious health condition, or preparing for a family member’s military deployment.

Qualified employers are considered anyone who pays a salary to at least one person who works in Maryland, including household employees, and seasonal or part-time employees. Only federal government employers are excluded from participation. Employees are considered anyone who receives a salary for work done in Maryland, not including independent contractors or federal government employees.

Employers can begin registering with the state for this new program in May 2025. Both employees and employers (with 15 or more employees) will each contribute 0.45% of the wages. Employers with 14 or fewer employees are exempt from paying the 0.45% of wages, but still must withhold the employee's 0.45% portion.

Self-employed individuals have the option to participate in the program and would contribute 0.9% of their wages. Quarterly wage and hour reporting and remittance of contributions to the state will begin October 2025. Anyone who works at least 680 hours in a position based in MD over the previous four reported calendar quarters will be eligible for benefits. Employees would be eligible to claim benefits beginning July 1, 2026. Please visit Maryland's [FAMLI webpage](#) for more information.

Online/Self-Service Portals

The Maryland bFile system has been replaced with [Maryland Tax Connect](#). The self-service tax portal includes filing, paying, updating and application services.

- DE: <https://onestop.delaware.gov>
- DC: <https://mytax.dc.gov>
- MD: <https://marylandtaxes.gov/MDTaxConnect>
- PA: [https://www.mypath.pa.gov/ /](https://www.mypath.pa.gov/)
- VA: <https://www.tax.virginia.gov/eforms>

Need Help?

Contact us [here](#) or call 800.899.4623 for help.

This payroll update was compiled by [Dawn Ebeling](#), CPA, Jaidyn Nicely, CPA and Karen Hess of the firm's tax department.