

Year End 2025 and Beginning 2026

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Remember, Year-End Happens All Year Long!

1. Key Dates

NOW:

Complete Year End Planning:

Look at lessons learned from 2024 and incorporate as needed

Complete an internal calendar that shows cutoffs for the following:

- Address changes (W-2's print correctly) (periodically ask employees to verify during the year)
- Any documents that affect gross pay
- Account coding changes if applicable
- Cash allowances to be paid through payroll
- Commute Trip Allowance Requests
- Health/Life/LTD insurance changes
- Leave (all types) – including Leave without pay
- Miscellaneous deduction changes
- Overtime/Standby/Callback/Shift Differential hours
- Part-time employee hours
- Salary rate changes if applicable
- Travel – taxable issues
- Work location changes
- Moving Expenses
- Non-cash/taxable fringe benefits reporting
- New hires
- Settlement Issues
- Terminations
- Anything else as identified by the agency

Communicate with the following groups:

- Agency Human Resources Office
- Accounts Payable
- Executive Office
- Employees
- Department managers
- Travel desk
- Field offices
- Commute Trip Reduction Coordinator
- Other offices that have payroll related business

Plan adequate staffing availability during the holidays

- Ensure proper staffing levels for December and January

Be mindful that a severe weather event could occur during payroll processing

- Remember the 2012 and 2019 storms!

Key Dates (Continued)

Obtain, review, and have procedures ready for manual transactions. *What can you do to prevent these from occurring?*

- Emergency payroll payments – [OFM Payroll Resources Site](#)
- Manual ACH/warrant cancellations – [OFM Payroll Resources Site](#)
- Manual tax deposits - [OST Cash Management Forms and Instructions Site](#)

Enter manual YTD adjustments by January 6, 2026 (PU19 deactivates January 7, 2026, for W2 processing).

Run Forms 941 and W-3 in HRMS each payday and:

- Reconcile deposits - [Reconciliation | Office of Financial Management \(wa.gov\)](#)
- Balance 941 to W-2 - [Reconciliation | Office of Financial Management \(wa.gov\)](#)
- Prior to filing Form 941:
 - Check for a balance due on Line 14 or an overpayment (refund) on Line 15. Additional research may be needed.
 - Check for errors and warnings in PU19.
- This is not only a year-end activity! **Do this throughout the year!**

Remind employees to submit amended Forms W-4 (if applicable), review beneficiaries, and verify SSA records:

- Per the IRS, remind employees to file an amended W-4 if their filing status, allowances, or exempt status has changed since the last time they filed a W-4. Do this by December 1. Be sure to tell employees that if there are no changes, there is no requirement to file a new W-4.
- IRS Tax Withholding page: <https://www.irs.gov/individuals/employees/tax-withholding>

Encourage employees to use the IRS Tax Withholding Estimator:

<https://apps.irs.gov/app/withholdingcalculator/>

Year-end is a great time for employees to review their beneficiaries for life insurance, retirement, deferred comp, and Heath Savings Account (HSA).

Also, remind employees to contact the SSA if they have had an event that would create a change of record, like a name change.

Consider reminding employees who will not be participating in a Consumer Directed Health Plan (CDHP) after 2025 to stop their HSA payroll deduction (if they have one).

Note: Employees cannot enroll in a CDHP/HSA if the employee or spouse/registered domestic partner enrolls in a Flexible Spending Account

Key Dates (Continued)

(FSA) in 2026, unless the FSA is a limited purpose FSA. PEBB now offers a limited purpose FSA.

Not all employees need to re-attest for a covered spouse or registered domestic partner in 2026. For more information, go to the PEBB surcharge site at <https://www.hca.wa.gov/employee-retiree-benefits/public-employees/surcharges>.

Remind employees who have a non-qualified tax dependent to review IRS Section 152 eligibility (this should take place throughout the year):

- For complete instructions, including forms, go to the following Public Employee Benefits Board (PEBB) site: [Forms and publications | Washington State Health Care Authority](https://www.hca.wa.gov/forms-publications/washington-state-health-care-authority).

The Rates page on the PersPay site will be updated with the 2026 Tax Issues Related to non-qualified tax dependents:

<https://www.hca.wa.gov/assets/perspay/2026-pebb-state-agencies-high-ed-rate-letter-jan-june.pdf>

Verify that Accounts Payable has all Form 1099-MISC data needed for amounts paid to the claimant of deceased employee's estates:

- Use wage type 3102 for net pay – it accrues to general ledger 5145 (Due to Deceased Employees Estates).
- Forms 1099-MISC must be filed with the IRS by January 31, 2026. Be sure the preparer has the data in time to meet the deadline. If your agency is using Account Ability, be aware that there are internal deadlines as well.

Final Off-Cycle Workbench for 2025: December 15, 2025, is the last day for cancellations in HRMS.

Wednesday, December 24, 2025: PAYDAY!

End 2025 and Beginning 2026: Be aware of employee health insurance premium collections between years (cannot be pretax, unless agency administrative error. *Be sure to communicate with affected employees!*

Prior to sending out 4th quarter 2025 IRS Form 941: Ensure that Forms 941, 941-X, W-2, and W-2c are in balance. Doing so will help avoid penalties from the IRS, SSA, or both. *Note: Once HRMS has processed Forms W-2, this means a W-2c.*

- **DON'T wait until the end of January to complete the 2025 reconciliation process! You should have reconciled all of 2025 already.**
- **DO wait until the 941 filing deadline to file!** Why? May avoid a 941-X if you find a correction for your 4th Quarter 2025 Form 941.

Key Dates (Continued)

Items to be postmarked by Saturday, January 31, 2026:

- IRS Fourth Quarter, 2025 Form 941 (Employer's Federal Quarterly Tax Return).
Note: Per IRS Publication 15 (<http://www.irs.gov/pub/irs-pdf/p15.pdf>), extra 10 days if you don't owe money.
- Forms W-2 to employees.

February 15, 2026: Exempt Forms W-4 expire.

- Per IRS Publication 15.
- Begin withholding for any employee who previously claimed exemption from withholding but has not given you a new Form W-4 for the current year.
 - If the employee does not give you a new Form W-4, withhold tax as if he or she is Single or Married filing separately in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2026 Form W-4.
 - If you have an earlier Form W-4 for this employee that is valid, withhold based on the earlier Form W-4.
- After Day 4 for the 12/10 payroll, you can run **HRMS report ZHR_RPTPY661** "Tax Exempt Status Report" to find out which employees are claiming exempt.

TIP: Run this report after every payroll to make sure that:

- Employees listed on the report have a current exempt W-4 on file.
- Employees filing exempt are listed as "reportable" in HRMS. Why? Even though an employee turns in an exempt W-4, wages are still reportable in Box 1 of the W-2!

After Completing the Year-End Process

- Schedule a Year-End debriefing meeting to review successes and failures.
- Document lessons learned in 2025 in preparation for the next Year-End.
Go over the 2026 payroll calendar: Be aware of deadlines and pay dates!

Throughout the year, watch "effective dating" on Form W-4 changes

- If you use a date that does not include a period in the employees' tenure in your agency, you may affect another agency's payroll revolving account (035), causing an out of balance condition for both agencies.

Go to the HRMS Support Hub site and check out the year-end schedule!

<https://support.hrms.wa.gov/resources/year-end-activities>

2. Internal Revenue Service

New overtime reporting requirements beginning 2025:

H.R.1 “No Tax on Overtime” – No Changes to HRMS for 2025

H.R. 1, signed into law on July 4, 2025, as Public Law 119-21 included a provision that has been referred to as “no tax on overtime”. For tax years 2025 through 2028, individuals who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay (generally, the “half” portion of “time-and-a-half” compensation) that is required by the Fair Labor Standards Act and reported on a Form W-2, Form 1099, or other specified statement furnished to the individual. While this may eventually benefit some employees, Washington State general government will not be implementing any changes in HRMS for 2025. Significant system changes would be required but cannot be made yet due to uncertainties that cannot be resolved for this tax year.

What does this mean for employees?

- The qualified overtime will not be reported on IRS Form W-2 for 2025.
- If eligible, employees may still claim the tax deduction individually when filing their 2025 tax return, dependent on IRS rules and guidance.
- No action is needed from employees at this time.

What the state is doing next

The Office of Financial Management is working with partner agencies to:

- ✓ Analyze how Washington’s overtime rules may be treated under federal law
- ✓ Monitor IRS guidance and finalize reporting requirements
- ✓ Plan HRMS changes to track qualifying overtime separately
- ✓ Prepare for implementation in future tax years (2026–2028)

Taxable Fringe Benefits:

The IRS guide to Taxable Fringe Benefits can be viewed at the following web address:

<https://www.irs.gov/pub/irs-pdf/p15b.pdf? ga=1.14343934.873758405.1453249327>

Also, Publication 5137 – Fringe Benefit Guide (updated in Oct. 2022):

<https://www.irs.gov/pub/irs-pdf/p5137.pdf>

Webinars for Tax-Exempt & Government Entities (includes a link to past webinars):

<https://www.irs.gov/government-entities/webinars-for-tax-exempt-government-entities>

Internal Revenue Service (Continued)

Items of note:

- Taxable travel – work with Accounts Payable
 - Based on your agency's policy, be sure to use the appropriate HRMS wage types to either:
 - Tax the value of the taxable travel (traveler was already reimbursed outside of the system) **or**
 - Reimburse and tax the taxable travel (traveler is reimbursed for taxable travel using HRMS)
- Commute Trip Reduction payments
- Allowance payments
- Qualified Domestic Partner (QDP) – rate changes (automatically updated)
- Special Accounting Rule for benefits provided in November/December (or a shorter period)

Deceased Employees – reporting rules

- IRS requirements:
 - **All payroll payments** made to a deceased employee (in the calendar year of death as well as future calendar years) are **not subject to federal income tax**.
 - With the **exception of sick leave buyouts**, all wage payments (pay, overtime, comp time, annual leave, etc.) to a deceased employee are **subject to social security and Medicare taxes in the calendar year of death, but not in subsequent years** (Excluding payments to employees who have reached their respective maximums). The earning period being processed is not relevant – only the actual pay date.
 - **Sick leave buyouts** made to deceased employees' survivors are **exempt from social security and Medicare taxes**.
 - The **claimant** of payouts made to the deceased employee receives a Form **1099-MISC**. Per previous conversations with the IRS, **Gross Pay** less deferrals are reported. Report in Box 3, "Other Income."

Forms and Instructions:

- Form **W-2** (Wage and Tax Statement), Form **W-3** (Transmittal of Wage and Tax Statements) and instructions

Forms **W-2c** (Corrected Wage and Tax Statement), Form **W-3c** (Transmittal of Corrected Wage and Tax Statements), (multiple copies) and instructions – Can register with the SSA and **submit on line**:

<http://www.ssa.gov/employer/>

Internal Revenue Service (Continued)

If you were required to e-file the original Form W-2, you must e-file any Form W-2c correcting that form.

- Form **941-X** (Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund)
- IRS definition of "administrative error:" <https://www.irs.gov/pub/irs-wd/201727008.pdf>

The following website can be used to research any of the above mentioned forms and instructions as well as all other forms and instructions provided by the IRS:
<https://apps.irs.gov/app/picklist/list/formsPublications.html>

Overpayments Collected for Prior Years:

Per the IRS, wages repaid for prior years do not reduce the actual wages paid to an employee in the current tax year.

The example below relates to Form W-2 Box 1 (Wages, Tips, and Other Compensation) only:

- Employee was paid \$31,000 in 2024, \$1,000 of which was an overpayment
Employee pays back the \$1,000 less OASI and Medicare taxes in 2025
- Employee was paid \$35,000 in 2025
- Therefore:
 - 2024 Box 1 is \$31,000
 - 2025 Box 1 is \$35,000
 - Employer DOES NOT reduce 2025 wages in Box 1 to \$34,000
 - Employer DOES reduce Social Security and Medicare wages and associated taxes for 2024 and provides a W2c to the employee and files with Social Security Administrating using Business Online and files a 941x with the IRS.

For further information, see IRS Publication 15 "Wage Repayments:"

https://www.irs.gov/pub/irs-pdf/p15.pdf?_ga=1.11678589.873758405.1453249327

https://support.hrms.wa.gov/sites/default/files/public/PDFProcedures/Employer_State_ID_Form.xlsx, the employee will need to follow the procedure found in IRS Publication 525, Taxable and Nontaxable Income. Refer to "Repayments:"

<https://www.irs.gov/pub/irs-pdf/p525.pdf>

IRS Contact Information for Government Agencies:

- 1-877-829-5500 or 1-801-620-5492
- <https://www.irs.gov/government-entities/tax-exempt-government-entities-division-at-a-glance>
- Washington's Federal, State, and Local Government contact
 - Ekaterina Rolan
 - Ekaterina.Rolan@irs.gov

3. Social Security Administration

The Social Security Administration (SSA) maintains the “Critical Links” document, which provides guidance to employers on correctly reporting names and social security numbers on Forms W-2 so that SSA can match each W-2 to the employee’s lifelong earnings history. The “Critical Links” page can be found at:

<http://www.ssa.gov/employer/critical.htm>

The SSA encourages:

- Employers verify an employee’s name and social security number (SSN) on the employee’s W-4 form as part of the hiring process for tax withholding and reporting purposes.
- Employers use the Social Security Number Verification Service (SSNVS) to verify social security numbers on-line. More information is available at <http://www.ssa.gov/employer/ssnv.htm>.
- Workers NOT to carry their SSN or social security card on them because of identity theft.

The social security card ***cannot be a required*** document for purposes of proving the employee’s authorization to work in the U.S. under the immigration law (I-9).

IRS Penalties: If Form W-2 does not contain the employee’s correct name or social security number, under the Internal Revenue Code, the employer “may be” penalized up to \$340.00 for each incorrect Form W-2 (maximums apply – see the IRS Forms W-2/W-3 Instructions at <http://www.irs.gov/pub/irs-pdf/fw2w3.pdf>).

Helpful Hint: If an employee has only one name, it would be considered the last name for W-2 reporting purposes.

The SSA returns electronic and paper wage reports to employers that contain a W-2 with any of the following conditions:

- Medicare wages and tips less than the sum of social security wages and social security tips on the W-2
- Social security tax is greater than zero and social security wages and social security tips equal to zero
- Medicare tax is greater than zero and Medicare wages and tips are equal to zero

Social Security Administration (Continued)

See page ii of the 2025 [Specifications for Filing Forms W-2 Electronically booklet](#) (SSA Publication 42-007)

<https://www.ssa.gov/employer/efw/25efw2.pdf#zoom=100>

The SSA provides a helpful site called [Hints for Preventing Resubmission Notices from Social Security](#). Check it out!

Washington's SSA contacts:

- SEA.ESLO@ssa.gov
- 206-615-2133

4. Other State Withholding Tax (as provided by Social Security Administration)

State and local tax data needs to be reported on the employee's copy of the W-2 so that they can file state or local tax returns. However, the W-2 file that the state sends to the SSA does not need to contain that information. The SSA does not read state and local tax data nor pass it on to anyone.

Depending upon the locality involved, agencies may need to send state or local W-2 data to that entity. For example, Oregon requires W-2 data to be sent electronically.

Each state has slightly different rules and regulations, so you need to check with those in which you have employees.

Further instructions for 2025 W-2 & W-3 forms can be found at the following IRS web address: <http://www.irs.gov/pub/irs-pdf/fw2w3.pdf>

Agencies using HRMS can include other state wage and tax information by following HRMS procedures.

- For other state's income taxes to be reported on employees' Forms W-2, a state ID is required.
- HRMS must have the state's ID number in the system.
- For state ID numbers that are not presently in HRMS, complete a [Employer State ID Form](#) and send it to heretohelp@ofm.wa.gov by **December 12, 2025**: Refer to the OFM Service News Notification sent on November 6, 2025. (email Tonia Sarin and Amie Kinsella-Smith)

The last day to key manual YTD entries is Tuesday, January 7, 2026.

For agencies using the OOS automated process: HRMS will add Oregon and Idaho withholding information to employees' W-2s for taxes collected systematically through the new OOS automated process.

Taxes collected using the manual wage types entered on Recurring Payments/Deductions (0014) and Additional Payments (0015) will still require manual YTD adjustments to be added to employees' W-2s.

Agencies not using HRMS can include other state wage and tax information by updating (but not sending) the Form W-2 found on SSA's Business Services Online website at <http://www.ssa.gov/employer/>.

5. EFTPS Payments Not Made Through HRMS

Journal vouchers to be sent to the Office of the State Treasurer (OST) for IRS payments (EFTPS) are due by 3:00pm the day before the taxes are due. In the event you require same-day tax transmission, please call one of the contacts below, in the order listed. The EFTJV wire must be received by OST by 11:00am.

Links to the EFTPS instructions and the EFTPS form are available at
<https://tre.wa.gov/accounting-and-banking-services/cash-management/electronic-federal-tax-payment-system-instructions>

Note: In order for the deposit to show on the HRMS generated IRS Forms 941/Schedule B, agencies still must go into HRMS and enter it. Use transaction code PU19.

The instructions for entering this in PU19 are located here:
https://support.hrms.wa.gov/sites/default/files/public/PDFProcedures/YTD_MANUAL_ADJUSTMENT_W2.pdf

It's always a good idea for your Accounting Office to review what signatures are on file with OST. Doing so will ensure that your agency has the right people in place for year-end and beyond. *This is especially important due to the large number of agencies still working remotely and the increased time it takes to get new authorized signers added for your agency.* Instructions can be found at: <https://tre.wa.gov/accounting-and-banking-services/cash-management/authorized-signature-list-instructions-electronic-funds-transfers-and-wire-transfers>

OST - Office of the State Treasurer

Tax payments not made through HRMS/OFM (email is preferred):

Cindy Doughty:	(360) 902-8908	EFTJV@tre.wa.gov
Vicki Boudia:	(360) 902-8988	EFTJV@tre.wa.gov
Ryan Pitroff:	(360) 902-8917	EFTJV@tre.wa.gov
Lesa Williams	(360) 902-8911	EFTJV@tre.wa.gov

Payroll warrants (email is preferred):

Warrant Division (360) 902-8994 WarrantInquiry@tre.wa.gov

6. Office of Financial Management (OFM)

Manual Processing Tasks

The following manual processing tasks can be found on OFM's website in the Accounting page under "Find Administrative & Accounting Resources" (Payroll):
<http://www.ofm.wa.gov/resources/payroll.asp>

If you are unable to find what you need at this website, contact
ofmmiswapayroll@ofm.wa.gov

- Manual warrant cancellations
- Emergency payroll payments
- Federal tax Reconciliations
- Year-end reconciliations

Other items of interest in the Payroll Resources Site:

- IRS/SSA materials (forms and publications)
- Deceased employees
- State pay dates, federal holidays, IRS \$100,000 next day deposit dates
- ACH authorization form
- Payroll card information
- Garnishments and Overpayments
- Reconciliation
- Settlement payments attributable to wages
- Comp time cash-out for terminating employees
- Mid-Period transfer template
- PPA Website
- There are many other items on this site as well. Check it out!

OFM Home Page: <http://www.ofm.wa.gov>

State Administrative and Accounting Manual (SAAM) - Payroll = Chapter 25

<http://www.ofm.wa.gov/policy/default.asp>

7. Rates/Limits for 2026

Social Security Wage Base:

- **\$176,100 for 2025**
- **\$184,500 for 2026**

The employee and employer tax rates remain at **6.2% each** (12.4% total).

Note: For employees that are at or near the max that transfer in to your agency from another HRMS agency, follow [HRMS procedures](#) to ensure that Social Security will not be deducted when the employee maxes out for the year (the state of Washington is one employer for Social Security purposes).

The employee and employer **Medicare Tax Rate** remains at **1.45% each** (2.90% total). **See note below.** There is no maximum wage base for Medicare taxes.

Note: Employers must withhold an additional 0.9% from wages paid to an employee that exceed \$200,000 during the year (regardless of the employee's filing status). This makes the effective *employee* Medicare tax rate **2.35% on wages over \$200,000.**

Supplemental Withholding Rate (for supplemental wages less than \$1 Million):

- **22% for 2025** (37% for supplemental wages over \$1 million)
- **22% for 2026**

Election Worker exclusion threshold for applicable states:

- **\$2,300 for 2025**
- **\$2,300 for 2026**

POV Mileage Rate:

[Standard mileage rates | Internal Revenue Service](#)

- **\$.70 per mile max effective January 1, 2025** (refer to SAAM subsections [10.90.20](#) and [10.10.10.b.](#))
- \$0.725 per mile max effective January 1, 2026 (refer to SAAM subsections [10.90.20](#) and [10.10.10.b](#))

Qualified Transportation Fringe Benefit Limits:

- Qualified parking provided by an employer to an employee:
 - **\$325/mo in 2025 and \$340/mo for 2026**

Rates/Limits 2026 (Continued)

- Combined Commuter Highway Vehicle Transportation, Transit Passes and Vanpool Privileges:
 - \$325/mo in 2025 and \$340/mo for 2026

Flexible Spending Accounts:

- **\$3,200/yr. for 2025 (\$120 minimum)**
- **\$3,300/yr. for 2026 (\$120 minimum)**
- **Carryover option into 2026:** Unused funds up to **\$610** may carry over to 2026. If you don't enroll in an FSA for 2026, any amount over **\$610** or under **\$120** will be forfeited to the Health Care Authority after December 31, 2025. To carry over your unused funds up to **\$610**, you must either enroll in the Medical FSA or Limited Purpose FSA for 2026 or have at least **\$120** left in your 2025 balance.

Health Savings Accounts:

- **Individual contribution limit:**
 - **\$4,300/yr. maximum for 2025**
 - **\$4,400/yr. maximum for 2026**
- **Family contribution limit** (Employee + one or more family members enrolled in the Consumer Directed Health Plan (CDHP)):
 - **\$8,550/yr. maximum for 2025**
 - **\$8,750/yr. maximum for 2026**
- **Note:** The above limits include the employer's annual contributions (\$700.08 for an individual, \$1400.04 for a family)
- Members aged 55 and older may contribute up to \$1,000 more annually (in addition to the limits above)
- Note: The \$125 wellness incentive is included in the limits listed above.

Compensation Limits for Retirement Contributions:

- \$350,000 for 2025
- \$360,000 for 2026

Contribution Limits for the Deferred Compensation Program (limit is combined for both the Roth and pretax option):

- \$23,500 in 2025
- \$24,500 in 2026

Catch-up options for participants aged 50 and older:

- \$31,000 in 2025
- \$32,500 in 2026

Special Catch-up limit for participants nearing retirement:

- \$47,000 in 2025
- \$49,000 in 2026

8. DCP and Roth

DCP now offers a Roth or pretax option. Each option affects when your retirement contributions will be taxed.

What is pretax? With the DCP pretax option, your contributions are made before tax. Withdrawals, including investment earnings, are taxed in the year of withdrawal.

What is Roth? With the DCP Roth option, your contributions are deferred from your already taxed income. Roth withdrawals, including any investment earnings, are not taxed if you meet the minimum qualifications. These include a five-year holding period from the year of your first contribution and a minimum age of 59½. If you withdraw before meeting these, any investment earnings will be taxed.

To find out more about DCP Roth and pretax options visit:

<https://www.drs.wa.gov/plan/dcp/#h-new-roth-option>

Beginning Jan. 1, 2026, employers who offer Washington state's Deferred Compensation Program (DCP) will be required to identify and report all highly compensated employees who are age 50 or older to DRS.

DCP age 50+ catch-up contributions for these employees will need to be reported as Roth. The change is being made because of the SECURE 2.0 Act Section 603. The change doesn't apply to contributions made under the three-year catch-up provision.

The term highly compensated is based on wages of the prior calendar year; it applies to employees who are age 50 or older **and** who in 2025 had \$150,000 or more in FICA wages. This amount is subject to change each year by the IRS.

For the employees you've identified as highly compensated, you'll need to report DCP contributions above the regular IRS DCP limit as Roth. **For HRMS employers, this will be automatically converted to Roth in HRMS by OFM.**

- You'll receive a warning message in ERA when the participant is approaching the regular annual DCP limit. For 2026, the regular IRS limit is \$24,500.
- Once the employee has contributed the regular annual limit, pretax contributions will no longer be accepted. All remaining contributions will need to be reported as Roth for the remainder of the calendar year.
- **Example:** If the person is paid once a month and evenly making pre-tax contributions to reach the 50+ max, their monthly contribution would be \$2,708.33. At this rate, they would reach the IRS limit of \$24,500 by September and all future contributions for the remainder of the year would need to be made as Roth.

DCP and Roth (Continued)

Does the participant need to make a deferral change request to designate contributions as Roth once they have reached Mandatory Roth Contribution (MRC) status?

No, a participant who elects to make 50+ catch-up contributions is not required to make a deferral change to ensure catch-up contributions are reported as Roth. The employer should deduct and report 50+ catch-up contributions as Roth when required for highly compensated participants.

Age 50+ catch-up contributions: Employees who are age 50 or older can contribute an additional \$8,000 beyond the annual limit each year (\$32,500 in 2026). These contributions are subject to MRC for highly compensated employees.

Three-year catch-up contributions: Employees can contribute up to twice the maximum (\$49,000) during the three years before your normal retirement age. These contributions are *not* subject to MRC.

For HRMS employers, OFM will be doing the reporting of highly compensated employees and the conversion in HRMS when they reach the threshold.

The rates and limits listed above are based on information supplied by the American Payroll Association, the Health Care Authority, Department of Retirement Systems, and OFM. The IRS and SSA are the final authority on rates and limits.

9. Affordable Care Act

W-2 Reporting of Cost of Employer Provided Health Coverage

Beginning in 2012, the federal Affordable Care Act (ACA) requires employers to report the total cost of employer sponsored health coverage on employees' Forms W-2.

- Reported in Box 12 using code DD
- Provides information to the employee
- **Note:** The cost of employer provided health insurance does **not equal employee premiums + state share.**
 - The amount shown on the W-2 will be the amount paid to health insurance providers by HCA. The amounts can differ. Examples: Single vs. family, one provider vs. another.
 - This means that the amount shown on the earnings statement will differ from the amount on the W-2.
- For further information about reporting the cost of employer-sponsored health care on IRS Form W-2, refer to the following HCA/PEBB resources:
 - Go to the **“ACA and tax-related reporting”** web page:
<https://www.hca.wa.gov/pebb-benefits-admins/administrative-tools-and-resources/hca-reporting-guidance>
 - Under sub-heading **“Tax-related guidance,”** click on the heading **“Reporting the cost of employer-sponsored health care on IRS Form W-2.”**
- **Remember!**
 - Be sure that employee premium and state share are recorded properly for all employees, especially:
 - New employees
 - Terminating employees
 - Employees on leave without pay
 - When processing ER medical cost (wage type 2550), be sure to *also use wage type 2575 (insurance provider cost).*
 - Failing to do so will cause inaccurate reporting on Box 12 DD.
- Reconciling your health insurance general ledger (account 035, GL 5181) will help you find discrepancies!
- Utilize the HRMS Health Care Activity Report.
 - ZHR_RPTBNN36
 - Use Tax Reporter File Format (just want to point this out)

Employer Shared Responsibility Payment (ESRP) Reporting Requirements

IRS Form 1095-C: Employer-Provided Health Insurance Offer and Coverage

IRS Form 1094-C: Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns

- Who prepares Forms 1095-C and 1094-C?

Affordable Care Act (Continued)

- The Health Care Authority (HCA) is designated by the governor to prepare forms for all state agencies and higher education institutions.
- The 1095-C is provided to any employee who was determined to be “full time” for at least one month of the report year; or, to Uniform Medical Plan subscribers who were enrolled at least one month of the report year. It provides employee/subscriber level details.
- The 1094-C is provided to IRS (along with copies of all 1095-Cs) and summarizes employer-level offer of medical coverage information (think W-2 and W-3).
- The forms and instructions are virtually unchanged for the new report year.

- What type of information is to be reported?
 - 1095-C
 - Employee and employer name, address, ID numbers (SSN, EIN), etc.
 - Whether or not good, affordable medical coverage was offered to the employee and dependents *by month*.
 - Whether or not the employee enrolled in offered coverage, or if a safe harbor (from penalty) applies *by month*.
 - For self-insured enrollees only (Uniform Medical Plan), each covered individual’s name, SSN (or date of birth if SSN isn’t available), and months of enrollment.
 - Note: Employees enrolled in fully insured coverage (Kaiser Permanente) will receive Form 1095-B directly from the plan summarizing enrollment of all covered individuals.
 - Instructions for Recipients
 - 1094-C
 - Employer’s name, EIN, address, employer contact person and phone number.
 - Number of Forms 1095-C
 - Full-time employee count *by month*.

Affordable Care Act (Continued)

- Whether or not the employer provided at least 95% of “full-time” employees with an offer of good, affordable medical coverage *by month* (to inform IRS penalty assessments)
 - Total employee count *by month*.
 - And more!
- The HCA works with OFM to receive HRMS hours of service data to inform Form 1095 reporting to the IRS.
- **2025 forms will be postmarked by February 2026.**
 - Forms are distributed in January to meet the California state individual mandate deadline for those employees or former employees who live in California.
 - HCA also completes reporting to 4 other states that established a state-level individual mandate. Enrollment is reported for employees or former employees who are residents of those states and who enrolled in UMP (self-insured) coverage during the report year.
- Why is the employer (your agency) the contact for retirees?
 - IRS identifies the employer as the plan sponsor responsible for reporting self-insured coverage for former employees (like retirees), and requires an employer contact to be included on the Form 1095-C.
 - Retirees in the “self-insured” Uniform Medical Plan will receive a Form 1095-C from the employer
 - Retirees in other “fully-insured” plans (like Kaiser Permanente) will receive a Form 1095-B directly from the plan.
- Questions can be directed to HCA Support, or contact the 1095 team directly:
 - General email: ACA1095-C@hca.wa.gov
 - James Koch: 360.725.1251 James.Koch@hca.wa.gov
 - Tyla Nguyen: 360.725.1176 Hue.Nguyen@hca.wa.gov

Affordable Care Act (Continued)

- For further information, refer to the following HCA/PEBB resources (which will be updated before 2025 Forms 1095-C are mailed):
 - ACA Guidance page: <https://www.hca.wa.gov/pebb-benefits-admins/administrative-tools-and-resources/hca-reporting-guidance>
 - Under the “ACA guidance for state agencies and institutions of higher education” heading, click on the subheadings to find helpful topics, including:
 - Information from IRS about Form 1095 reporting
 - Forms 1095-C and 1094-C samples and guidance. See “Decoding Forms 1095-C” documents under this subheading to understand the information printed on forms
 - Need a reprinted Form 1095-C? Learn how to request Form 1095-C reprints
 - Assigning ACA Employee Status Codes for new/returning employees and when changes in appointments
 - Premium Tax Credit notification letters from Health Benefit Exchanges

10. Moving Expense Payments

All employer provided moving expenses are taxable ([Public Law 115-97](#)). Effective January 1, 2018, payments to employees or to vendors on behalf of employees are to be included as taxable income on IRS Form W-2 of affected employees.

For further information, refer to:

- [IRS Publication 15-B](#). “Reminders,” page 2, “Moving expense reimbursements.”
- <https://www.irs.gov/pub/irs-pdf/iw2w3.pdf>.
 - “Moving expenses,” page 11.

11. Electronic IRS Form W-2

OFM has completed the project to allow employees to view their W-2 electronically and to opt-in for online only Forms W-2! W-2's will be available for a rolling 5 years.

2025 Forms W-2

- Effective July 2024, there is a new MyPortal Online Selection Tile to Allow for Online-only Forms W-2.
- Employees can opt-in for online-only Forms W-2 using the My Online Selections tile in MyPortal. Employees can make their selection for 2025 through the end of December 2025.
- If they selected online W2 in 2024, their selection would remain in effect for 2025. To change selection, goto MyPortal, navigate to the Online Selection Tile, select “create”, choose “on paper” or “Online” and “save”.
- By default, employees will receive a mailed Form W-2 each year; however, they can now change this default to view their forms online-only
- By choosing to opt-in for online-only Forms W-2, employees will no longer receive a paper Form W-2 in the mail. They may switch back to a mailed Form W-2 at any time before the end of the calendar year.
- If an employee separates from state service and their My Online Selection option is set to Online, they will automatically be changed to On Paper upon their withdrawn status.
- To view employees' online selection in HRMS, use Direct Selection field for IT3228 in PA20
- If an employee has used [My Online Selections](#) in MyPortal to opt-in for online-only Form W-2, PU19 will not generate a printable Test W-2. To view the information that will be reported on the W-2, the user must leave the **Generate Audit Report** in the PU19 transaction checked:

12. Paid Family and Medical Leave (PFML)

Refer to [SSB 5975](#) and ESD's website: <https://esd.wa.gov/paid-family-medical-leave>.

PFML Changes Effective January 2026

Starting Jan. 1, 2026, other aspects of the Paid Leave program will update due to legislative changes. We'll be adding resources to the website as they become available. Topics include:

- Job protection: [Enhances job protection for employees taking Paid Leave from employers with 25 or more employees](#).
- Health care benefits: [Clarifies when employers are required to maintain health care benefits for employees taking job-protected Paid Leave](#).
- Paid Leave and FMLA concurrence: [Provides information to help employers manage job protection when an employee is eligible for both Paid Leave and FMLA](#).
- **Weekly claim minimums:** Reduces the minimum amount of time an employee must miss in a week to be eligible for Paid Leave from 8 hours to 4 hours.

Updates – Washington State's Paid Family and Medical Leave

Agencies with fewer than 50 employees (as determined by ESD) do not owe employer costs.

PFML premiums

- **2025 0.92% (Employees pay 71.52% and employers pay 28.48%)**
- **2026 1.13% up to the 2026 Social Security cap (\$184,500). (Employees pay 71.43% and employers pay 28.57%)**

Agencies must notify employees of rate changes each year.

General Ledger code for use in Account 035 (State Payroll Revolving Account): **5180**. Subobject for employer costs: **BK**.

Pay ESD the amount invoiced by ESD each quarter.

Move rounding amounts back to the operating account.

Refer to the [Rounding Differences Between ESD Invoice and Accruals in 035 5180 and 035 5183](#) document on the Payroll Resources website.

13. Long Term Support Services (LTSS)

Refer to [Chapter 50B.04 RCW](#) and the WA Cares website: <https://wacaresfund.wa.gov/>

Premiums for employees became effective July 1, 2023.

- Premiums are currently 0.58% of wages. For the typical worker earning \$52,075, it is \$302/year.
- First deduction took place July 10, 2023.
- Unlike Paid Family and Medical Leave (PFML) deductions, there will not be a maximum limit on the amount of wages subject to LTSS.

Long Term Support Services (LTSS) continued

- Refer to [RCW 50B.04.080](#)

General Ledger code for use in Account 035 (State Payroll Revolving Account): **5183**.

- There are no *employer* premiums for LTSS, so we **do not need a subobject for LTSS**.

FAQ's for Employees located on the State HR website:

<https://ofm.wa.gov/state-human-resources/hr-projects/long-term-services-and-supports-ltsswa-cares-fund-employee-premium>

Employer Q & A located on the Payroll Resources website (last updated Oct 5, 2023):

https://ofm.wa.gov/sites/default/files/public/resources/payroll/Employer_LTSS_QA.pdf

Remember if an employee has a permanent exemption with ESD, do not end date IT0235 when they transfer out. Adding a text note when creating a record on IT0235 will help you determine if the exemption is permanent.

14. Out of State Telework

There are many things to consider when authorizing an employee to telework from a residence or office outside Washington state. A multi-agency workgroup has developed guidance on this topic. The guidance is intended to be supportive and flexible for your HR and Payroll offices as you address the challenges.

The posted information addresses:

1. Reasons why an agency may want to consider approving a request to work outside the state, and
2. Provides guidance on how to manage out-of-state tax and benefit compliance issues, especially for Oregon and Idaho-based workers

The state has a clear interest in investing workforce funding inside the state of Washington. However, there may be some exceptional circumstances where a state agency decides to allow a state employee to move out of the state of Washington and maintain employment, or even when an agency needs to recruit from beyond Washington's borders. **The guidance attempts to balance the critical goals of finding and retaining the best, most qualified candidates to perform the important work of our state government, while prioritizing the reinvestment of taxpayer dollars back into our Washington state communities.**

Out-of-State Telework Guidance and Resources:

<https://ofm.wa.gov/state-human-resources/remote-work-resources/out-state-telework-guidance-and-resources>

Payroll Out-of-State Employee Tax Resources:

<https://support.hrms.wa.gov/resources/payroll-out-state-employee-tax-resources>

Out of State Telework (Continued)

Areas of consideration include, but not limited to:

- Taxes
 - State and local
 - Unemployment
 - Workers' Compensation
 - Paid Family and Medical Leave
- Wage and Hour Law
- Safety requirements of the other state
- Non-discrimination laws
 - Pay equity, disability accommodation, pregnancy accommodation, etc.
- How to handle time zone differences
- Medical and dental insurance
- Privacy laws
 - If you record sessions or monitor employees, ensure this does not violate laws of other states
- International
 - Require a US bank account?
 - Currency conversion
- Authorization to work out of state
 - Written agreement that describes expectations
- Travel to Washington
 - Commute vs travel
 - SAAM requirements

Helpful resources

[Year End Activities | HRMS Support Hub \(wa.gov\)](#)

When You Need Help

OFM – Statewide Accounting

Contact OFM for any accounting-related problem or concern, plus anything where help is needed regarding a payroll issue other than HRMS system concerns or OST-related issues.

Elizabeth Smith, Louisa Green, and Sheila Meyer: ofmmiswapayroll@ofm.wa.gov

OST - Office of the State Treasurer

Tax payments not made through HRMS/OFM (email is preferred): Send email to Lesa to make sure this is still correct.

Cindy Doughty:	(360) 902-8908	EFTJV@tre.wa.gov
Vicki Boudia:	(360) 902-8988	EFTJV@tre.wa.gov
Ryan Pitroff:	(360) 902-8917	EFTJV@tre.wa.gov
Lesa Williams	(360) 902-8911	EFTJV@tre.wa.gov

Payroll warrants (email is preferred):

Warrant Division (360) 902-8994
WarrantInquiry@tre.wa.gov

OFM – Information Technology Services

Processing schedules; HRMS questions; payroll direct deposit:

OFM Help Desk: (360) 407-9100 HereToHelp@ofm.wa.gov
(855) 928-3241 toll free

Payroll Vendors (3rd party payments)

Payee Help Desk (360) 407-8180
payeeregistration@ofm.wa.gov