



District Business and Advisory Services

Bulletin: 23-015

Date: January 4, 2023

To: District Chief Business Officers
 District Directors of Fiscal Services
 District Human Resource and Payroll Managers

From: Nghia Do, District Business Advisor

Re: **Important Updates:** 2023 Tax Rates and Other Payroll-Related Updates

The purpose of this bulletin is to communicate known Federal and California State Tax changes effective January 1, 2023. The QSS tax tables are updated to reflect the changes. The Internal Revenue Services (IRS) has released the Publication 15-T, the Federal Income Tax (FIT) Withholding Methods for the calendar year 2023.

Both Federal and State Withholding schedules for the calendar year 2023 can be respectively found online at:

<https://www.irs.gov/pub/irs-pdf/p15t.pdf>

https://edd.ca.gov/Payroll_Taxes/Rates_and_Withholding.htm

Below are the rate and benefit limit changes effective January 1, 2023:

Social Security and Medicare Taxes	2022	2023	Change
Employee	7.65%	7.65%	0
Employer	7.65%	7.65%	0
Maximum Taxable Earnings	2022	2023	Change
Social Security (OASDI only) tax earnings base	\$147,000	\$160,200	+ \$13,200
Medicare (HI only)	No Limit	No Limit	0

Notes:

- The 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security (OASDI) portion is 6.20% on earnings up to the applicable taxable maximum amount of \$160,200. The Medicare High Income (HI) portion is 1.45% on all earnings.
- An additional employee-only Medicare tax of 0.9% applies to wages in excess of \$200,000 for single taxpayers and \$250,000 for married taxpayers filing jointly. The rates shown in the table above do not include the 0.9 percent.

Health Saving Accounts	2022	2023	Change
Minimum deductible for high deductible health plans (HDHP)	Single Coverage	Single Coverage	Single Coverage
	\$1,400	\$1,500	+\$100
	Family	Family	Family
	\$2,800	\$3,000	+\$200
Maximum annual out-of-pocket for HDHP	Single Coverage	Single Coverage	Single Coverage
	\$7,050	\$7,500	+\$450
	Family	Family	Family
	\$14,100	\$15,000	+\$900
Maximum contribution limit for HSA	Single Coverage	Single Coverage	Single Coverage
	\$3,650	\$3,850	+\$200
	Family	Family	Family
	\$7,300	\$7,750	+\$450
Health Savings Account holders 55 and over get to save extra \$1,000	Single Coverage	Single Coverage	Single Coverage
	\$4,650	\$4,850	+\$200
	Family	Family	Family
	\$8,300	\$8,750	+450
Flexible Spending Accounts	2022	2023	Change
Maximum pre-tax contributions to health care reimbursement flexible spending accounts	\$2,850	\$3,050	+\$200
Section 403(b) Tax Sheltered Annuities	2022	2023	Change
Maximum amount of employee elective deferrals	\$20,500	\$22,500	+\$2,000
Employees aged 50 or older and meet other requirements can make up in additional catch-up contributions	\$6,500	\$7,500	+\$1,000
Section 457 Deferred Compensation Plans	2022	2023	Change
Maximum amount of contributions	\$20,500	\$22,500	+\$2,000
Employees aged 50 or older and meet other requirements can make up in additional catch-up contributions	\$6,500	\$7,500	+\$1,000
Travel Expenses	1/1/2022 - 6/30/2022	2023	Change
Mileage reimbursement rate for business miles driven	58.5 cents/mile		
	7/1/2022 - 12/31/2022		
	62.5 cents/mile	65.5 cents/mile	+3 cents/mile
California State Disability Insurance (SDI)	2022	2023	Change
State Disability Insurance (SDI) withholding rate	1.10%	0.90%	-.20%
Taxable wage limit for each employee per calendar year	\$145,600	\$153,164	+\$7,564
Maximum annual withholding for each employee	\$1,601.60	\$1,378.48	+\$223.12

Form W-4 Employee's Withholding Certificate for the calendar year 2023

The attached pdf version of the 2023 W-4 Employee's Withholding Certificate and general instructions is available for downloading from the IRS website at: <https://www.irs.gov/pub/irs-pdf/fw4.pdf>

Please distribute this bulletin within your District as deemed appropriate.



IRS issues standard mileage rates for 2023; business use increases 3 cents per mile

IR-2022-234, December 29, 2022

WASHINGTON — The Internal Revenue Service today issued the 2023 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on January 1, 2023, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 65.5 cents per mile driven for business use, up 3 cents from the midyear increase setting the rate for the second half of 2022.
- 22 cents per mile driven for medical or moving purposes for qualified active-duty members of the Armed Forces, consistent with the increased midyear rate set for the second half of 2022.
- 14 cents per mile driven in service of charitable organizations; the rate is set by statute and remains unchanged from 2022.

These rates apply to electric and hybrid-electric automobiles, as well as gasoline and diesel-powered vehicles.

The standard mileage rate for business use is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs.

It is important to note that under the Tax Cuts and Jobs Act, taxpayers cannot claim a miscellaneous itemized deduction for unreimbursed employee travel expenses. Taxpayers also cannot claim a deduction for moving expenses, unless they are members of the Armed Forces on active duty moving under orders to a permanent change of station. For more details see [Moving Expenses for Members of the Armed Forces](#).

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Taxpayers can use the standard mileage rate but generally must opt to use it in the first year the car is available for business use. Then, in later years, they can choose either the standard mileage rate or actual expenses. Leased vehicles must use the standard mileage rate method for the entire lease period (including renewals) if the standard mileage rate is chosen.

[Notice 2023-03](#) [PDF](#) contains the optional 2023 standard mileage rates, as well as the maximum automobile cost used to calculate the allowance under a fixed and variable rate (FAVR) plan. In addition, the notice provides the maximum fair market value of employer-provided automobiles first made available to employees for personal use in calendar year 2023 for which employers may use the fleet-average valuation rule in or the vehicle cents-per-mile valuation rule.

Page Last Reviewed or Updated: 29-Dec-2022

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Payroll and Benefit Parameters Set by the IRS for 2023

 **BY CAROL WOLFE, CPA**

 **BY CHARLENE QUILAO**

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posted November 14, 2022

Each tax year, the Internal Revenue Service (IRS) designates changes in the various payroll and benefit parameters. The following will be in effect starting January 1, 2023:

Social Security Taxes

- Social Security tax earnings base is \$160,200 (up from \$147,000 in 2022)
- An additional employee-only Medicare tax of 0.9% applies to wages in excess of \$200,000 for single taxpayers and \$250,000 for married taxpayers filing jointly; however, an employer must withhold additional Medicare tax from wages paid to an individual in excess of \$200,000 in a calendar year, without regard to the individual's filing status or wages paid by another employer (no change from 2022)

Health Savings Accounts

- Minimum deductible for high-deductible health plans is \$1,500 for single coverage and \$3,000 for family coverage (up from \$1,400 and \$2,800, respectively, in 2022)
- Maximum annual out-of-pocket limit for high-deductible health plans is \$7,500 for single coverage and \$15,000 for family coverage (up from \$7,050 and \$14,100, respectively, in 2022)
- Maximum contribution to a health savings account is \$3,850 for single coverage and \$7,750 for family coverage (up from \$3,650 and \$7,300, respectively, in 2022)
- Maximum "catch-up" contribution (age 55 or over) is \$1,000 for single and family coverage (unchanged from 2022)

Flexible Spending Accounts

- Maximum pre-tax contribution to health care reimbursement flexible spending accounts is \$3,050 (up from \$2,850 in 2022)

Section 403(b) Tax-Sheltered Annuities

- Maximum amount of employee elective deferrals is \$22,500 (up from \$20,500 in 2022)
- Employees ages 50 and older—who also meet other requirements—can make up to \$7,500 in additional catch-up contributions (up from \$6,500 in 2022)

Section 457 Deferred Compensation Plans

- Maximum amount of employee elective deferrals is \$22,500 (up from \$20,500 in 2022)
- Employees ages 50 and older—who also meet other requirements—can make up to \$7,500 in additional catch-up contributions (up from \$6,500 in 2022)

Travel Expenses

- Per diem rates (or “high-low” standard) can all be found on the U.S. General Services Administration [website](#)
- The IRS has not yet announced the mileage reimbursement rate for 2023; we will provide that information once it becomes available