



District Business and Advisory Services

Bulletin: 25-016

Date: January 3, 2025

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

From: Susan Ady, Director - District Business Services
 Nghia Do, Advisor - District Business Services

Re: **Important Updates:** 2025 Payroll 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, 2025. The QSS tax tables will be updated to reflect the changes. Both the Internal Revenue Services (IRS) and the Employment Development Department (EDD) have released the Publication 15-T - the Federal Income Tax (FIT) Withholding Methods and the California withholding schedules – Method B: Exact Calculation method for the calendar year 2025.

The Federal and State Withholding schedules for the calendar year 2025 can be respectively found online at:

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

https://edd.ca.gov/siteassets/files/pdf_pub_ctr/25methb.pdf

Below are the rate and benefits limit changes effective January 1, 2025:

Social Security and Medicare Taxes	2024	2025	Change
Employee	7.65%	7.65%	0
Employer	7.65%	7.65%	0
Maximum Taxable Earnings	2024	2025	Change
Social Security (OASDI only) tax earnings base	\$168,600	\$176,100	+ \$7,500
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 \$176,100. The Medicare High Income (HI) portion is 1.45% on all earnings.
- An additional employee-only Medicare tax of 0.9% applies to wages of more than \$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	2024	2025	Change
Minimum deductible for high deductible health plans (HDHP)	Single Coverage	Single Coverage	Single Coverage
	\$1,600	\$1,650	+\$50
	Family	Family	Family
	\$3,200	\$3,300	+\$100
Maximum annual out-of-pocket for HDHP	Single Coverage	Single Coverage	Single Coverage
	\$8,050	\$8,300	+\$250
	Family	Family	Family
	\$16,100	\$16,600	+\$500
Maximum contribution limit for HSA	Single Coverage	Single Coverage	Single Coverage
	\$4,150	\$4,300	+\$150
	Family	Family	Family
	\$8,300	\$8,550	+\$250
Health Savings Account holders 55 and over get to save extra \$1,000	Single Coverage	Single Coverage	Single Coverage
	\$5,150	\$5,300	+\$150
	Family	Family	Family
	\$9,300	\$9,550	+\$250
Flexible Spending Accounts	2024	2025	Change
Maximum pre-tax contributions to health care reimbursement flexible spending accounts	\$3,200	\$3,300	+\$100
Section 403(b) Tax Sheltered Annuities	2024	2025	Change
Maximum amount of employee elective deferrals	\$23,000	\$23,500	+\$500
Employees aged 50 or older and meet other requirements can make up in additional catch-up contributions	\$7,500	\$7,500	+\$0
Starting in 2025, a higher catch-up contribution limit applies for employees aged 60, 61, 62 and 63 who participate in the plan	\$7,500	\$11,250	+\$3,750
Section 457 Deferred Compensation Plans	2024	2025	Change
Maximum contribution Amount	\$23,000	\$23,500	+\$500
Employees aged 50 or older and meet other requirements can make up in additional catch-up contributions	\$7,500	\$7,500	+\$0
Starting in 2025, a higher catch-up contribution limit applies for employees aged 60, 61, 62 and 63 who participate in the plan	\$7,500	\$11,250	+\$3,750
Travel Expenses	2024	2025	Change
Mileage reimbursement rate for business miles driven	67 cents/mile	70 cents/mile	+3 cents

California State Disability Insurance	2024	2025	Change
The State Disability (SDI) withholding rate	1.10%	1.20%	+0.10%
Senate Bill 951 removes the taxable wage limit for each employee per calendar year effective January 1, 2024	No Limit	No Limit	N/A
Senate Bill 951 removes the maximum withholdings for each employee subject to SDI contribution effective January 1, 2024	No Limit	No Limit	N/A

Form W-4 Employee's Withholding Certificate for the calendar year 2025.

The attached pdf version of the 2025 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 memo within your District as deemed appropriate.