



## District Business and Advisory Services

[Bulletin: 26-018](#)

Date: January 06, 2026

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

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

Re: Important Updates: 2026 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, 2026. The QSS tax tables will be updated to reflect the changes. The Internal Revenue Service (IRS) and the Employment Development Department (EDD) have released Publication 15-T - Federal Income Tax (FIT) Withholding Methods and California withholding schedules – Method B: Exact Calculation method for calendar year 2026.

The Federal and State Withholding schedules for calendar year 2026 can be found online at:

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

[https://edd.ca.gov/siteassets/files/pdf\\_pub\\_ctr/26methb.pdf](https://edd.ca.gov/siteassets/files/pdf_pub_ctr/26methb.pdf)

Below is the rate and benefits limit changes effective January 1, 2026:

<b>Social Security and Medicare Taxes</b>	<b>2025</b>	<b>2026</b>	<b>Change</b>
Employee	7.65%	7.65%	0
Employer	7.65%	7.65%	0
<b>Maximum Taxable Earnings</b>	<b>2025</b>	<b>2026</b>	<b>Change</b>
Social Security (OASDI only) tax earnings base	\$176,100	\$184,500	+ \$8,400
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% of earnings up to the applicable taxable maximum amount of \$184,500. 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 0.9 percent.

Health Saving Accounts	2025	2026	Change
Minimum deductible for high-deductible health plans (HDHP)	Single Coverage	Single Coverage	Single Coverage
	\$1,650	\$1,700	+\$50
	Family	Family	Family
	\$3,300	\$3,400	+\$100
Maximum annual out-of-pocket for HDHP	Single Coverage	Single Coverage	Single Coverage
	\$8,300	\$8,500	+\$200
	Family	Family	Family
	\$16,600	\$17,000	+\$400
Maximum contribution limit for HSA	Single Coverage	Single Coverage	Single Coverage
	\$4,300	\$4,400	+\$100
	Family	Family	Family
	\$8,550	\$8,750	+\$200
Health Savings Account holders 55 and over get to save extra \$1,000	Single Coverage	Single Coverage	Single Coverage
	\$5,300	\$5,400	+\$100
	Family	Family	Family
	\$9,550	\$9,750	+\$200
Flexible Spending Accounts	2025	2026	Change
Maximum pre-tax contributions to health care reimbursement flexible spending accounts	\$3,300	\$3,400	+\$100
Section 403(b) Tax Sheltered Annuities	2025	2026	Change
Maximum amount of employee elective deferrals	\$23,500	\$24,500	+\$1,000
Employees aged 50 or older and meet other requirements can make up in additional catch-up contributions	\$7,500	\$8,000	+\$500
Starting in 2026, a higher catch-up contribution limit applies for employees aged 60, 61, 62 and 63 who participate in the plan	\$11,250	\$11,250	+\$0
Section 457 Deferred Compensation Plans	2025	2026	Change
Maximum contribution Amount	\$23,500	\$24,500	+\$1,000
Employees aged 50 or older and meet other requirements can make up in additional catch-up contributions	\$7,500	\$8,000	+\$500
Starting in 2025, a higher catch-up contribution limit applies for employees aged 60, 61, 62 and 63 who participate in the plan	\$11,250	\$11,250	+\$0
Travel Expenses	2025	2026	Change
Mileage reimbursement rate for business miles driven	70 cents/mile	72.5 cents/mile	+2.5 cents/mile
California State Disability Insurance	2025	2026	Change
The State Disability (SDI) withholding rate	1.20%	1.30%	+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
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**Form W-4 and DE 4 Employee's Withholding Certificate for the calendar year 2026**

The pdf version of 2026 W-4 Employee's Withholding Certificate and general instructions are available for downloading from the IRS website at: [www.irs.gov/pub/irs-pdf/fw4.pdf](http://www.irs.gov/pub/irs-pdf/fw4.pdf). Also, the pdf version of 2026 DE 4 Employee's Withholding Allowance Certificate can be downloaded from the EDD website at: [https://edd.ca.gov/siteassets/files/pdf\\_pub\\_ctr/de4.pdf](https://edd.ca.gov/siteassets/files/pdf_pub_ctr/de4.pdf)

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