Los Angeles County Office of Education

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Debra Duardo, M.S.W., Ed.D., *Superintendent*

INFORMATIONAL BULLETIN # 7091

January 22, 2026

TO: Business, Payroll, and Personnel Administrators
HRS and HCM District Coordinators
Los Angeles County School and Community College Districts
Charter Schools and Other Local Educational Agencies

FROM: Jonah Austria, Payroll Systems Coordinator
Human Capital Management
Division of School Business Systems Support

SUBJECT: Year 2026 Income Tax Updates

This bulletin provides school districts and local educational agencies (LEAs) with updated information pertaining to federal and state income tax rates for calendar year 2026.

Federal and state tax withholding rates have been updated for 2026 in both the Human Resource System (HRS) and Human Capital Management (HCM) systems.

Income Taxes

The attached federal and state income tax withholding chart is effective for all payrolls issued on or after January 1, 2026. The tax chart will be available online here: https://www.lacoe.edu/payroll.

This bulletin includes:

- Updated Tax Withholding Rates
- Resources/links to federal and state forms
- Sample Notice to Employees

Social Security/OASDI and Medicare

Social Security/OASDI: The employee rate for 2026 remains unchanged at 6.2%. The employer rate is also 6.2%. The maximum wages subject to Social Security/OASDI in 2026 have increased to $184,500 for employees and employers.

Medicare: There is no wage base limit for employees and employers. Employee rates on wages up to $200,000 and employer rates remain unchanged at 1.45%. The Additional Medicare Tax initiated in 2013 requires that employers withhold an additional 0.9% on wages paid to employees

in excess of $200,000. This additional tax must be withheld in the pay period in which wages are paid in excess of $200,000. There is no employer portion of Additional Medicare Tax.

California State Disability Insurance (SDI)

The SDI withholding rate for 2026 is 1.3%. Effective January 1, 2026, Senate Bill 951 removes the taxable limit and maximum withholding for each employee subject to SDI contributions.

California State DE 4 Employee Withholding

Due to the new withholding structure of the 2020 IRS Form W-4, employees must now file a California State Form DE 4 any time an IRS Form W-4 change is made. The State Franchise Tax Board does not require a copy of this form for exempt employees.

IRS Form W-4 "Exempt from Withholding"

Employees claiming exemption from tax withholding must meet the requirements outlined on the IRS Form W-4 (Employee's Withholding Certificate). The 2025 Form W-4 exemption expires on February 15, 2026. A new IRS Form W-4 must be received by the employer in order for the employee to continue with this exemption for 2026.

Employees should be advised that the district must apply the tax withholding status of "Single/Standard Withholding" until a current and valid IRS Form W-4 is received. To claim exempt on the 2026 Form W-4, employees must complete "Step 1" (personal information) and write the word "EXEMPT" in the space below box 4C. The form must be signed and dated to be valid. A California State Form DE 4 should also be collected from employees submitting as exempt.

Resources for Employees

A 2026 IRS Form W-4 is required for anyone hired after January 1, 2026, claiming exempt status, or wishing to update or change their withholding amounts. Employees who submitted a Form W-4 before 2025 are not required to submit a new form if they have no changes to their withholding allowances.

Because the new W-4 format is different, employees may request assistance in completing the form. We strongly advise districts against providing tax guidance. Employees should be advised to explore other available resources, such as professional tax services or the IRS Tax Withholding Estimator. The IRS recommends all taxpayers use their Tax Withholding Estimator to perform a "paycheck checkup." This will help employees ensure they have the right amount of tax withheld from their paycheck. There is a link provided for the IRS estimator in the "Resources" section of this document.

Supplemental Wage Payment Taxation – HRS and HCM

HRS: The aggregate tax method is approved by the Internal Revenue Services (IRS) for tax withholding calculations on each supplemental wage payment unless the district has authorized the special flat-tax withholding rates. IRS Publication 15-T (Federal Income Tax Withholding Methods) contains additional information. Aggregate taxes are calculated as follows in HRS:

1. The last prime cycle taxable wages and all separate payments in the period, (i.e., additional pay, overtime, and extra assignments) are combined with the current supplemental payments as one wage amount.
2. A tax is calculated on this combined total.
3. The taxes withheld on each of the previous payments are then subtracted from the total tax calculation in (2); and
4. The result of the calculation in (3) is the tax amount to be withheld on the current supplemental payment.

As an option to the aggregate method, the IRS provides for the use of a flat-tax option. The 2026 flat-tax withholding rate of 22% for federal and 6.6% for state are available for use in HRS.

HCM: Supplemental payments in HCM will generally aggregate to the last payroll and be taxed at the appropriate marginal rate. Payments meeting the IRS definition of supplemental wages (such as bonuses) shall be subject to flat-tax, federal (22%) and state (6.6 %) rates.

Resources

2026 IRS Form W-4
https://www.irs.gov/pub/irs-pdf/fw4.pdf

IRS Tax Withholding Estimator
https://www.irs.gov/individuals/tax-withholding-estimator
https://www.irs.gov/paycheck-checkup

IRS Publication 15-T – Federal Income Tax Reporting Methods 2026
https://www.irs.gov/pub/irs-pdf/p15t.pdf

California Employee's Withholding Allowance Certificate - DE 4 Rev. 52 (12-22)
https://edd.ca.gov/siteassets/files/pdf_pub_ctr/de4.pdf

Sample Notice to Employees

A sample notice is included for district communication to employees. Each employer can modify or change the content to suit their needs.

If you have any questions regarding this bulletin, please contact the HRS payroll team at SFS_Payroll_Manager@lacoe.edu or HCM payroll team at BESThelpdesk@lacoe.edu.

Approved:
Raymond Bribiesca, Director
Division of School Business Systems Support

JA:sm
Attachment

SFS-A36-2025-2026

(SAMPLE) NOTICE TO EMPLOYEES

Date

TO: Employees

FROM: (District Administrator)

SUBJECT: Year 2026 Income Tax Changes and Withholding Information Effective January 1, 2026

Federal and State Income Tax Withholding

Updated tax changes have been implemented for payrolls **issued** on and after January 1, 2026. Federal and state income tax withholding brackets have been revised and are included with this notice.

Employee Social Security/OASDI and Medicare

The Social Security/OASDI employee rate for 2026 remains unchanged at 6.2 percent, however the maximum subject wages have increased. There is no Medicare wage cap for employees. Employee rates remain unchanged at 1.45 percent; however, the Additional Medicare Tax requires that employers withhold an additional 0.9 percent on wages paid to employees in excess of $200,000 in one calendar year.

Tax Year Comparison	**Year 2025**	**Year 2026**
Social Security/OASDI Rate	6.2 percent	6.2 percent
Medicare Rate	1.45 percent	1.45 percent
Social Security Maximum Wage Base	$176,100	$184,500
Medicare Maximum Wage Base	no limit	no limit
Maximum Medicare Contribution (1.45%)	no limit	no limit

Federal Withholding – IRS Form W-4

IRS Form W-4 changed significantly in 2020. The IRS recommends all taxpayers perform a "paycheck checkup" by using their online tool located at https://www.irs.gov/paycheck-checkup. Your employer cannot tell you how to complete Form W-4. Please read the instructions carefully and/or consult a tax professional if necessary. Only new employees and those wishing to make withholding adjustments, or those claiming to be exempt must complete the new *IRS 2026 Form W-4, "Employee's Withholding Certificate".*

Federal Exempt from Withholding

If you claimed exempt from withholding tax in 2025 and wish to continue in 2026, you must complete a new *IRS 2026 Form W-4* no later than February 15, 2026. The form requires those wishing to claim exempt to write the word "EXEMPT" in "Step 4", in the space directly under box 4(c). If you no longer wish to claim exempt status, you must file a new form W-4 for January tax withholding.

State Withholding – Form DE 4

All employees updating their IRS Form W-4 must now also complete a California State Withholding Form (DE 4).

Some items in this notice are intended to comply with employee notification requirements of the IRS.

Should you have any questions regarding this information, please [insert district procedure].