

## Payroll-Related Changes and Reminders for 2024

New year, new labor and employment laws. This is the time of year when our Client Accounting Services team works to help business owners close the year with confidence and comply with the numerous bills and laws without skipping a beat.

Below are the most significant changes. We advise business owners to read through these updates and take note of what may affect you to discuss them with your accountant or advisor.

### Paid Sick Leave Law

- Starting January 1, 2024, California's Paid Sick Leave law, amended in [SB-616](#), requires employers to provide employees with five days or 40 hours of paid sick leave.
- Employers should post the new poster and provide the new (labor code 2810.5) Notice to Employees, as updated by the Labor Commissioner. Visit the [California Paid Sick Leave: Frequently Asked Questions](#) for additional information.

### Reporting Fringe Benefits on W-2s

Employers should review whether they have correctly included/reported the value of fringe benefits in their employees and (if applicable) 2% S-corporation shareholders' taxable wages.

- The actual value of the fringe benefits must be determined annually before December 31st to allow for the timely withholding and deposit of payroll taxes.

Some common fringe benefits include but are not limited to employer-paid group life insurance in excess of \$50,000, tuition reimbursement, and personal use of company car.

Visit [BDO: 2023 Year-End Reminders Regarding Fringe Benefits](#) or [IRS: Pub 15-B Employer's Tax Guide to Fringe Benefits](#) for additional information.

### Minimum Wage and Overtime

California minimum wage and overtime for 2024.

- Increased to **\$16.00 per hour**, regardless of the number of employees.
- Minimum salary for exempt employees increased to \$66,560.00.
- Agricultural worker's overtime changes:
  - 25 or fewer employees: OT paid at 1.5 x regular rate for hours over **8.5 per day/45 per week**.
  - 26 or more employees: OT paid at 1.5 x regular rate for hours over **8.0 per day/40 per week**.
  - All employees: Double-time required after 12 hours in a single day.
  - Agricultural employees are also generally entitled to 1.5 x regular pay for the first 8 hours worked on the 7th consecutive day of work and double-time pay for all work performed in excess of 8 hours on the 7th consecutive day of work.



## Social Security

- **The earnings limit increased to \$168,600.**
- The rate remains at 6.2% for both employees and employers.

## Medicare

- The rate remains at 1.45% with no limit.
- Employees who earn more than \$200,000 (\$250,000 for married couples filing jointly) will continue to pay an extra 0.9% Medicare tax in 2024; employers do not pay a matching portion for this amount.

## State Disability Insurance (SDI)

- **The SDI rate increased to 1.10%.**
- Effective January 1, 2024, [Senate Bill 951 \(SB-951\)](#) **removes the taxable wage limit and maximum withholdings** for each employee subject to SDI contributions.
  - These changes should be installed with your payroll system tax table update or updated by your third-party payroll provider.

## State Unemployment Insurance (SUI)

- [Find your new rate](#) on California's Economic Development Department (EDD) Unemployment Insurance Rate page.
  - If your SUI rate has changed for 2024, you must manually change it in your payroll system. Tax table updates do not include your new SUI and Employment Training Tax (ETT) rate. Make this change before you process a 2024 payroll.

## Mileage Rates

On December 14, 2023, the [IRS announced](#) new standard mileage rates for 2024. Effective January 1, 2024, **the new rate is 67 cents per mile driven for business use, which is up 1.5 cents from 2023.** Read more in [IRS Notice 2024-08](#).

For additional information on California contributions rates, withholding schedules, and meals and lodging values, please visit the [CA EDD Rates and Withholding page](#).

## CalSavers

For those employers and employees participating in the CalSavers program, please remember that the program, by default, has an **automatic increase feature** that will increase the contribution amount by 1% each year until the rate reaches 8% unless an opt-out or alternate amount is elected.



## 2024 Retirement Contribution Limits

- The 401(k) **limits increased to \$23,000 (\$30,500 for age 50 or older)**
  - 401(k) contributions are subject to FICA/MDCR taxes but not federal or state income taxes.
- Simple IRA limits **increased to \$16,000 (\$9,300 for age 50 or older).**
- Health Savings Account (HSA) **limits increased to (self) \$4,150, 55 or older \$5,150 and (family) \$8,300, 55 or older \$9,300.**

