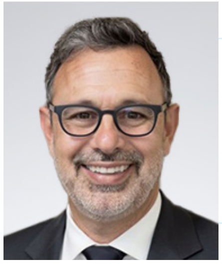
Payroll Insights

Employment tax news to guide you now and for the future

September 2026



John's *fresh take*: Protecting Access to Employer Tax Accounts

As federal and state tax administrations accelerate their digital transformation, online employer portals have evolved from transactional tools into critical instruments of corporate governance. Platforms like the IRS's Business Tax Account and state-level unemployment and withholding portals offer vital transparency. They provide real-time access to historical filing records, notices, unemployment benefit claims, and state unemployment insurance (SUI) tax rates.

While employers that file their own tax returns use these portals regularly, organizations utilizing third-party payroll providers may not be aware of the benefits of employer portals.

A critical best practice is establishing a systematic, periodic review of all active accounts. Notices sent by mail can be delayed, lost, or sent to outdated addresses, and an unmonitored digital notice can quickly escalate into costly penalties, interest, or collection actions. Routine internal audits of these portals ensure that discrepancies—such as misapplied SUI tax rates or unrecorded payments—are resolved before causing financial harm.

Navigating Security Controls and Keyperson Risk

To safeguard sensitive data, tax authorities are updating their systems for sophisticated access controls:

- Multi-Factor Authentication (MFA): Many jurisdictions now require secondary authentication via one-time codes sent to mobile devices or registered emails.
- Identity Verification (SSO): Regulators are increasingly tying business credentials to verified individual identities, such as the federal mandate to use ID.me for the IRS Business Tax Account.

If the individual who registered for account access using MFA or SSO leaves the organization without transferring credentials to their successor, regaining access to the portal can take weeks. While some states allow credentials to be updated by phone, others require a formal, paper-based submission accompanied by a signed POA and an updated corporate officer list.

The following safeguards may be helpful to avoid interruptions to portal access:

- Mandatory Transition Protocols: Incorporate the formal transfer of portal administrative rights into the standard employee offboarding checklist.
- Shared Departmental Aliases: Register primary credentials under a secure, shared departmental distribution list (e.g., payrollcompany.com) rather than an individual's corporate inbox to ensure password and MFA resets remain accessible during personnel shifts.

Ultimately, in an environment of automated enforcement and tight response windows, maintaining uninterrupted, secure, and internally controlled portal access is fundamental to risk management. By integrating portal oversight and regular monitoring into standard internal controls, enterprises can better protect themselves from avoidable penalties.

Federal updates

Treasury issues guidance on employer contributions to Trump Accounts

The U.S. Department of the Treasury (the Treasury) has issued a significant amount of guidance recently related to Trump Accounts covering some, but not all, employer and employee questions and concerns.

The One Big Beautiful Bill Act (OBBBA) added Internal Revenue Code (IRC) Sections 530A and 128, establishing a Trump Account and employer contributions to Trump Accounts, respectively. A Trump Account provides for an annual pre-tax contribution of up to $5,000, (indexed starting in 2028) of which $2,500 (indexed starting in 2027) may be made by an employer to an account for employees' qualifying dependents. An individual, or their employer on behalf of the individual, may make this contribution. Note that the $2,500 employer contribution is in aggregate per employee, not per employee dependent.

On August 10, 2026, the IRS published REG-101355-26 notifying the public of proposed regulations under Sections 128 and 129 addressing employer contributions to Trump accounts and the nondiscrimination requirements applicable to both Trump account contribution programs and dependent care assistance programs. The intent is for the nondiscrimination rules (i.e., the plan may not favor highly compensated employees (HCEs)) for qualifying contributions to Trump Accounts be the same as the rules for dependent care assistance programs in Proposed Treasury Regulation Section 1.129-2, with certain exceptions. Many of the provisions also reference Treasury Regulation Section 1.410(b)-4, which provides nondiscrimination concepts used in other employee benefit contexts.

Key provisions related to nondiscrimination testing for Trump Account contributions include:

- A plan should provide contributions and benefits on the same terms for all eligible employees even if employees receive different amounts because of differing elections or utilization.
- Eligibility classification must be reasonable and established under objective business criteria, based on facts and circumstances. Indicia of reasonableness may include job categories, salary vs. hourly compensation, geographic location, and other similar bona fide business criteria.
- Contributions for non-HCEs must be at least 55% of those made by HCEs.
- A numerical safe harbor, in lieu of the facts and circumstances test, may be provided.
- Pilot match contributions (additional $1,000 contribution for dependents born in 2025 – 2028) may be excludable from discrimination testing under certain circumstances.
- Contributions to non-HCE Trump Accounts may still be treated as satisfying the plan requirements if any program failures are due solely to nondiscrimination failures.
- Failures of the average benefits test as of the last day of the plan year may be remedied by the deadline for issuing Form W-2 to the employees (January 31 of the following calendar year).

Other important provisions for employer contributions include:

- Employers cannot dictate the financial institution (custodian) where the Trump Account is held.
- Employers generally may rely on employee self-certification for certain dependent eligibility requirements, subject to validation requirements.
- Employees must be able to make elections for pre-tax contributions prospectively and at least monthly, which is different from typical Cafeteria 125 plan elections.
- Contributions are pre-tax for federal income tax purposes but taxable for Social Security, Medicare, and federal unemployment tax purposes.

For a more detailed look at the proposed regulations, see KPMG report: Proposed regulations released on employer contributions to Trump accounts.

On August 11, 2026, the U.S. Department of Treasury issued a press release for the proposed regulations, highlighting the basic requirements of employer contributions to Trump Accounts that are discussed in more detail in the proposed regulations, as follows:

- Maintain a written plan document;
- Follow certification procedures for a Trump Account beneficiary's age and dependent status;
- Provide notices to employees;
- Provide annual statements to employees; and
- Provide reporting to the Trump Account trustee.

Overall, the proposed regulations provide employers with a more structured framework for qualifying Trump Account contributions as an employee benefit and offer the public an opportunity to provide comments and concerns before the regulations are finalized. Comments should be submitted by September 25, 2026, with the public hearing scheduled for October 15, 2026, at 10 a.m. ET.

IRS issues updates to guidance for Paid Family and Medical Leave credits

The OBBBA made permanent Section 45S, originally established by the 2017 Tax Cuts and Jobs Act, which provides employers with an income tax credit for providing paid family and medical leave (PFML) of up to 12 weeks to employees. The OBBBA also amended Section 45S to include an additional method for calculating the credit. Originally, the credit was calculated based on wages paid to qualifying employees on PFML. The OBBBA allows an employer to elect to take a credit for premiums paid or incurred by the employer for an insurance policy that provides PFML in lieu of the wage calculation, regardless of the amount of wages paid to employees on leave (the "premium method"). Notice 2026-28, issued August 5, 2026, describes the premium method and proposes FAQs to incorporate into the proposed regulations.

For more information on Notice 2026-28, see KPMG report: IRS provides initial guidance on section 45S premium method and requests comments.

Comments may be submitted by the public by October 16, 2026.

IRS updates FAQ for qualified overtime compensation

The IRS issued Fact Sheet 2026-13 related to the deduction for qualified overtime compensation, superseding Fact Sheet 2026-01 from January 2026. The updated FAQ includes an index, clarifications to most of the questions, additional information on coverage and exemptions under the FLSA, and qualified overtime calculations with respect to compensatory time off.

Fact Sheet 2026-13 also includes FAQs related to Form W-2 reporting and corrections. Question 11 discusses the requirement to issue Form W-2c, *Corrected Wage and Tax Statement*, if there is an error in Box 12, code TT for qualified overtime compensation. Questions 20 to 23 discuss the requirement for the employee to rely on Form W-2 to calculate and claim the credit. Even if the employee believes the amount reported on Form W-2 is incorrect, the employee may not claim a different amount on their tax return unless they are issued Form W-2c. The answer to Question 22 specifically states:

"… If the employer is unwilling or unable to provide the employee with a Form W-2c to correct an omitted or understated amount of qualified overtime compensation, the employee is not entitled to use the omitted or understated amount of qualified overtime compensation to determine the employee's deduction even if the employee was paid qualified overtime compensation in excess of the amount reported on Form W-2, box 12, code TT by the employer."

The IRS can assess information reporting penalties against the employer if the form is incorrect (up to $680 for the employer and employee copies, each, for returns due in 2026. Penalties for returns due in 2027 have not been released.)

Business Tax Account online portal improvements

The IRS established the Business Tax Account (BTA) portal for entities to easily review the status of their federal tax accounts, including the name/address on file with the IRS, tax deposits, and transcripts of tax returns without having to call the IRS. Since the portal was first made available to select entities in December 2024, it has expanded access to most categories of legal entities and increased the functionality.

In July 2026, the IRS issued Fact Sheet 2026-11, which advises users of additional features, including access to digital IRS notices and employer identification number verifications. Payments may also be submitted via the BTA for an Offer in Compromise for tax debts.

The IRS is continuing to improve the BTA for easier accessibility and more options for taxpayers to check their compliance with federal tax returns and deposits.

IRS updates 2026 Form W-2 and W-3 specifications

The IRS released Revenue Procedure 2026-27 in IRB 2026–32 , which provides updated specifications for substitute Forms W-2, *Wage and Tax Statement*, and W-3, *Transmittal of Wage and Tax Statements*, used for 2026 wage reporting and supersedes prior guidance. The revenue procedure outlines requirements for employers, payroll providers, and form vendors that prepare substitute wage statements and confirms reporting, filing, and employee statement requirements applicable to the 2026 filing season.

Several changes affect the format of the 2026 Forms W-2 and W-3 from 2025. Most notably, Box 14 has been divided into two separate fields. Information previously reported in Box 14, Other, will now be reported in Box 14a, while newly created Box 14b will be used to report Treasury Tipped Occupation Codes. To accommodate the additional reporting field, the IRS reduced the size of Box 9 and updated related form layouts and specifications.

The revenue procedure also incorporates new Form W-2 Box 12 reporting codes established under Public Law 119-21 (the OBBBA), including:

- Code TA for employer contributions to Trump Accounts;
- Code TP for the total amount of cash tips reported to the employer; and
- Code TT for qualified overtime compensation.

In addition, the wage reporting threshold increases from $600 to $2,000 for wages paid after calendar year 2025 when no federal income tax, Social Security tax, or Medicare tax was withheld. The threshold will be adjusted annually for inflation beginning after 2026.

The guidance reiterates that employers filing 10 or more information returns, such as Forms W-2 and 1099, generally must file Forms W-2 electronically via the Social Security Administration's Business Services Online portal and provides updated requirements for furnishing Forms W-2 to employees, including electronic delivery standards for employers that distribute wage statements electronically. Employers using custom forms, payroll software, or third-party vendors should confirm that systems are updated to reflect the revised form layouts and reporting requirements before the 2026 filing season.

State and local updates

Colorado limits wage deductions for personal protective equipment

Colorado enacted Senate Bill 26-160, effective June 3, 2026, clarifying that personal protective equipment (PPE) is not among the items employers may deduct from employee wages under the state's wage deduction rules. Colorado law generally permits deductions for certain employer-provided equipment or property under a written agreement, but the legislation specifically excludes PPE.

The law defines PPE to include employer-provided equipment, clothing, respiratory devices, protective shields, and protective barriers used to protect employees from recognized health and safety hazards. Certain nonspecialty safety footwear and eyewear, logging boots, everyday clothing, weather-protection items, and certain employee-requested foot protection are excluded from the definition.

Separately, the law prohibits meatpacking employers with 500 or more Colorado employees from unreasonably denying employees access to restrooms during compensable work time. Violations may result in fines of up to $100 per employee, capped at $200 per employee per week.

Employers should review wage deduction practices to ensure that PPE-related costs are not deducted from employee pay.

Florida delays reemployment tax transition to new eServices platform

The Florida Department of Revenue announced that employers will begin filing and paying reemployment tax through the state's new eServices File and Pay system starting August 24, 2026. The transition was previously scheduled for an earlier date but was delayed to allow the Department additional time to complete testing and review of the new platform.

Florida's reemployment tax system is part of the Department's broader modernization effort to transition taxpayers to a new electronic filing and payment platform. The Department stated that the new system is intended to provide improved functionality, enhanced cybersecurity protections, and expanded self-service capabilities for taxpayers.

Employers and payroll professionals that file Florida reemployment tax returns should review the new filing requirements and confirm access credentials. The Department also noted that reemployment tax reports filed beginning in August 2026 must be submitted through the new system.

Idaho updates 2026 withholding tables

On July 23, 2026, Idaho released its updated withholding tables. These adjustments must be applied prospectively and are not retroactive to the beginning of the year. Additionally, while the updated tables still reference the state child tax credit, administrators must set this credit value to $0 when calculating withholdings, as the credit officially phased out on December 31, 2025. Employers should verify that their payroll systems or third-party providers have updated these tables and reflect $0 for the child tax credit field to prevent withholding discrepancies on upcoming paychecks.

Maine updates 2026 withholding methods

Maine Revenue Services released its 2026 withholding tables and instructions, updating withholding calculations to reflect revised standard deduction amounts and the state's 2 percent surcharge applicable to certain high-income taxpayers.

Under the 2026 guidance, the surcharge applies to the portion of annualized income exceeding $1 million for single filers or $1.5 million for married filers when employers use the percentage withholding method. Comparable income thresholds are also incorporated into the wage-bracket withholding tables.

The guidance reminds employers that Maine does not conform to federal withholding rules that permit certain deductions claimed on Forms W-4 or W-4P to reduce income tax withholding. Accordingly, employers should not reduce Maine income tax withholding based on federal deduction amounts and should instead continue to apply Maine-specific withholding methods and calculations. Employees should provide Form W-4ME, *Employee's Withholding Allowance Certificate*, to the employer to calculate Maine income tax withholding.

Vermont's modernized unemployment insurance portal goes live

Employers should use their myVermont account to access Vermont's new e-services portal . The updates to the retired portal include automated assistants, self-service for reviewing quarterly reports and benefit charges, and responding to requests for information.

Employers should make sure they can access their accounts and confirm that any third-party authorizations are in place.

Contact us

John Montgomery
National Employment Tax and Global Reward Services Lead Partner
KPMG LLP
T: 212-872-2156
E: jmontgomery@kpmg.com

Mindy Mayo
Senior Managing Director, Employment Tax
KPMG LLP
T: 408-367-5764
E: mindymayo@kpmg.com

Manan Shah
Partner, Employment Tax
KPMG LLP
T: 404-739-5247
E: mananshah@kpmg.com

Samantha-Jo Marciliano
Managing Director, Employment Tax
KPMG LLP
T: 212-954-3841
E: smarciliano@kpmg.com

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