

## 2023 Income Tax Changes

This notice is to inform you of important tax changes which were implemented for federal, state, or local income tax withholdings. The United States Department of the Interior (DOI) Interior Business Center (IBC) has issued memorandums identifying tax changes that have been implemented. As a result, employees may see a change in their tax withholdings. As a reminder, tax changes are not retroactive to employees' withholdings.

### 1. The following tax changes were implemented in Pay Period (PP) 2023-23:

**IBC memo dated Nov. 8, 2023**, Subject: Tax Changes Implemented Pay Period (PP) 2023-23 IN, NE, and Localities for IN, KY, and OR

#### State Tax Changes

- **Indiana Income Tax Withholding:**
  - The state and county income tax withholding formula has changed effective Sept. 15, 2023.
  - A new exemption has been added equal to \$1,500 for each first-time additional dependent.
- **Nebraska Income Tax Withholding:**
  - The state income tax withholding formula has changed effective Jan. 1, 2023.
  - Eliminate the minimum withholding requirement for employees who claim Exempt on the Form W-4N, Nebraska Withholding Allowance Certificate.

#### Local Tax Changes

- **Indiana Local Income Tax Withholding:**
- County of Dearborn, IN:
  - The local income tax has changed effective October 1, 2023.
    - The income tax rate has changed from 1.20% to 1.40%.
- County of Vanderburgh, IN:
  - The local income tax has changed effective October 1, 2023.
    - The income tax rate has changed from 1.20% to 1.25%.
- **Kentucky Local Income Tax Withholding:**
- County of Madison, KY:
  - The local income tax has been implemented at 1%.
- County of McCreary, KY:
  - The local income tax has been implemented at 1.5%.

- **Oregon Local Income Tax Withholding:**
- City of Eugene, OR:
  - Eugene local city tax withholding has been implemented at .44%.

**2. The following tax changes were implemented in Pay Period (PP) 2023-22:**

**IBC memo dated Nov. 2, 2023**, Subject: Tax Changes Implemented Pay Period (PP) 2023-22  
Locality for CO Local Tax

- **Colorado Local Income Tax Withholding:**
- City of Aurora, CO:
  - Aurora Occupational Privilege Tax (OPT) withholding has been implemented. The Aurora OPT rate is \$2 per month (\$0.92 for 26 PPs).

**3. The following tax changes were implemented in Pay Period (PP) 2023-23:**

**IBC memo dated Nov. 2, 2023**, Subject: Corrected: Tax Changes Implemented Pay Period (PP) 2023-23 instead of PP 2023-22 for ND

**State Tax Changes**

- **North Dakota Income Tax Withholding:**
  - The state income tax withholding formula has changed effective Jan. 1, 2023.
  - The tax tables for all filing statuses have changed.
  - Different tax tables apply based on the Federal Form W-4, Employee's Withholding Certificate:
    - Pre-2020 Form W-4
    - Post-2020 Form W-4

**4. The following tax changes were implemented in Pay Period (PP) 2023-18:**

**IBC memo dated Aug. 24, 2023**, Subject: Tax Changes Implemented Pay Period (PP) 2023-18: IL

**State Tax Changes**

- **Illinois Income Tax Withholding:**
  - The state income tax withholding formula has changed effective July 1, 2023.
  - The annual exemption amount for the basic allowances claimed for taxpayers, spouses, and other dependents has changed from \$2,625 to \$2,225.

**5. The following tax changes were implemented in Pay Period (PP) 2023-17:**

**IBC memo dated Aug. 15, 2023**, Subject: Tax Changes Implemented Pay Period (PP) 2023-17: AR, ID, UT, and Localities for PA

### **State Tax Changes**

- **Arkansas Income Tax Withholding:**
  - The state income tax withholding formula has changed effective June 1, 2023.
  - The flat tax rate on supplemental wages has changed from 4.9% to 4.7%.
  - The wage threshold to adjust annual net taxable income has changed from less than \$91,801 to less than \$91,301.
  - The standard tax table has changed.
  - The tax credit formula for employees who qualify for the low-income tax tables has changed.
- **Idaho Income Tax Withholding:**
  - The state income tax withholding formula has changed effective Jan. 1, 2023.
  - The flat tax rate on supplemental wages has changed from 6.0% to 5.8%.
  - The annual deduction per exemption has changed from \$3,417 to \$3,534.
  - The single and married tax tables have changed.
- **Utah Income Tax Withholding:**
  - The state income tax withholding formula has changed effective June 1, 2023.
  - The income tax rate has changed from 4.85% to 4.65%.
  - The base allowance for single filers has changed from \$390 to \$415.
  - The base allowance for married filers has changed from \$780 to \$830.
  - The wages exempt from tax credit reduction for single filers have changed from \$7,774 to \$8,371.
  - The wages exempt from tax credit reduction for married filers have changed from \$15,548 to \$16,742.

### **Local Tax Changes**

- **Pennsylvania Local Income Tax Withholding:**
- City of Philadelphia:
  - The local income tax has changed effective July 1, 2023.
  - The resident income tax rate has changed from 3.79% to 3.75%.
  - The nonresident tax rate remains unchanged at 3.44%.
- City of Johnstown City:
  - The total annual local service tax (LST) has changed effective July 1, 2023.
  - The annual LST has changed from \$156 to \$52.

## **6. The following tax changes were implemented in Pay Period (PP) 2023-10:**

**IBC memo dated May 10, 2023**, Subject: Tax Changes Implemented Pay Period (PP) 2023-10: MD, MI, and WV

**State Tax Changes**

- **Maryland Income Tax Withholding:**

- The state and local income tax withholding formula for Maryland has changed effective Jan. 1, 2023.
- The local tax rates are now equal to the exact tax rate or exact graduated tax rates for each county. The formulas no longer support the alternative percentage method rates.
- The tax calculation for Anne Arundel County has been updated to support a graduated tax rate based on annualized income.

<b>If annualized taxable wages are</b>	<b>then the annual tax is equal to</b>
\$0 to \$50,000	Annualized Wages x 2.70%
Over \$50,000	\$1,350 + ((Annualized Wages - \$50,000) x 2.81%)

- The tax calculation for Frederick County has been updated to support multiple fixed tax rates which are dependent on the employee's marital status and annualized income.

<b>If the marital status is</b>	<b>and the annualized taxable wages are</b>	<b>then multiply the annualized wages by</b>
Single	\$50,000 or less	2.75%
Single	Over \$50,000	2.96%
Married	\$100,000 or less	2.75%
Married	Over \$100,000	2.96%

- The flat tax rate for supplemental wages is equal to the highest state tax rate and the highest local tax rate that applies to the employee.
- The flat tax rate for supplemental wages for Anne Arundel County is 2.81%.
- The flat tax rate for supplemental wages for Frederick County is 2.96%.

- **Michigan Income Tax Withholding:**

- The state income tax withholding formula for Michigan has changed effective Jan. 1, 2023, based on legislation passed on April 3, 2023.
- The flat tax rate on supplemental wages has changed from 4.25% to 4.05%.
- The standard tax rate has changed from 4.25% to 4.05%.

- **West Virginia Income Tax Withholding:**

- The state income tax withholding formula for West Virginia has changed immediately based upon legislation passed on March 7, 2023. The two earner/two jobs and optional one earner/one job tables have changed.

7. **The following tax changes were implemented in Pay Period (PP) 2023-04:**

IBC memo dated Feb. 15, 2023, Subject: Tax Changes Implemented Pay Period (PP) 2023-04: VT

**State Tax Changes**

- **Vermont Income Tax Withholding:**

- The Single and Head of Household tax table amount where wages are taxed at the 7.60% rate has been changed from \$113,650 to \$113,550.

8. **The following tax changes were implemented in PP 2023-03:**

IBC memo dated Feb. 1, 2023, Subject: Tax Changes Implemented Pay Period (PP) 2023-03: IL and Localities in KY and OH

**State Tax Changes**

- **Illinois Income Tax Withholding:**

- The annual exemption amount for the basic allowances claimed for taxpayers, spouses, and other dependents has increased from \$2,425 to \$2,625.

**Local Tax Changes**

- **Kentucky Local Income Tax Withholding:**

- Florence:

- The maximum withholding wage base has increased from \$147,000 to \$160,200 to coincide with the 2023 Federal OASDI wage base.
- The payroll tax rate remains at 2.00%.
- The maximum tax is \$3,204.

- Kenton County:

- The maximum withholding wage base has increased from \$147,000 to \$160,200 to coincide with the 2023 Federal OASDI wage base.
- The lower taxable wage base limit has increased from \$25,000 to \$80,100.

- The payroll tax rate has increased from 0.7097% to 0.9097% on wages up to \$80,100.
- The payroll tax rate is 0.1097% on wages greater than \$80,100 and up to the OASDI wage maximum of \$160,200.
- The maximum tax is \$816.54.
- **Ohio Local Income Tax Withholding:**
  - Athens
    - The local income tax withholdings rate has increased from 1.85% to 1.95%
  - Lancaster:
    - The local income tax withholdings rate has increased from 2.20% to 2.30%

9. **The following tax changes were implemented in PP 2023-02:**

**IBC memo dated Jan. 18, 2023**, Subject: Tax Changes Implemented Pay Period (PP) 2023-02: Federal, PR, AZ, CA, CO, DC, IN, IA, KY, LA, ME, MD, MI, MN, MS, MO, MT, NE, NM, NY, NC, ND, OR, RI, SC, VT and Localities in IN, KY, and NY

**Federal Tax**

- **U.S. Federal Social Security (OASDI) Wage Base** – The wage base has increased from \$147,000 to \$160,200. There is no limit on Medicare wages, and the Social Security and Medicare tax rates remain unchanged.
- **U.S. Federal 401(k) Wage Limits** – The 401(k) maximum exclusion limit has increased from \$20,500 to \$22,500. The catch-up contribution for employees who will be age 50 or over in 2023 is increasing from \$6,500 to \$7,500.
- **U.S. Federal Income Tax:**
  - For withholding based on a pre-2020 Form W-4, Employee's Withholding Certificate, the annual amount to add to a nonresident alien's taxable wages prior to calculating withholding has increased from \$8,650 to \$9,550.
  - For withholding based on a 2020 Form W-4, the annual amount to add to a nonresident alien's taxable wages prior to calculating withholding has increased from \$12,950 to \$13,850.
  - The standard and high-income tax tables for all marital statuses have changed.

**U.S. Territory**

- **Puerto Rico 401(k) Wage Limits:** The pretax contribution limit has increased the pretax contribution limit for U.S. federal employees has increased from \$20,500 to \$22,500.
- The catch-up contribution limit for Puerto Rico plans that cover U.S. federal government employees is increasing from \$6,500 to \$7,500.
- The catch-up contribution limit for Puerto Rico-only Plans and Dual-qualified Plans will remain at \$1,500. NOTE: This is subject to change. If this limit changes, another Tax Update will be issued.

## State Tax Changes

- **Arizona Income Tax Withholding:**

- The state income tax withholding formula for Arizona has changed. The withholding rates that can be elected have changed as follows:

Old Rate	New Rate
0.8%	0.5%
1.3%	1.0%
1.8%	1.5%
2.7%	2.0%
3.6%	2.5%
4.2%	3.0%
5.1%	3.5%

- The default rate for employees who have not submitted an Arizona A-4 form has changed from 2.7% to 2.0%.

- **California Income Tax Withholding:**

- The low-income exemption amount for Married with 0 OR 1 exemption and Single is increased from \$15,916 to \$17,252.
- The low-income exemption amount for Married with 2 or more exemptions and Head of Household is increased from \$31,831 to \$34,503.
- The standard deduction for Married with 0 or 1 exemption and Single is increased from \$4,803 to \$5,202.
- The standard deduction for Married with 2 or more exemptions and Head of Household is increased from \$9,606 to \$10,404.
- The Single, Married, and Head of Household withholding tables have changed.
- The annual personal exemption credit has increased from \$141.90 to \$154.
- The Single tax table amount where wages are taxed at the 11.33% rate has been increased from \$333,639 to \$338,639.

- **Colorado Income Tax Withholding:**

- The flat tax rate on supplemental wages has changed from 4.55% to 4.40%.

- The standard annual deductions for employees who do not complete form DR 0004 Line 2 or enter additional deduction amounts to their state tax in Employee Express have changed. The annual deduction for employee filing as Married Filing Jointly or Qualifying Widow(er) has increased from \$8,000 to \$9,000. The annual deduction for all other employees has increased from \$4,000 to \$4,500.
- The tax rate on regular wages has changed from 4.55% to 4.40%.
- **District of Columbia Income Tax Withholding:**
  - The income tax withholding formula for the District of Columbia has changed retroactive to Jan. 1, 2023.
  - The annual deduction amount per exemption has increased from \$4,150 to \$4,300.
- **Indiana State Income Tax Withholding:**
  - The state income tax withholding formula for Indiana has changed effective Oct. 1, 2022.
  - A new exemption has been added equal to \$3,000 for each adopted child.
  - The state tax rate changed from 3.23% to 3.15%, effective Jan. 13, 2023.
- **Iowa State Income Tax Withholding:**
  - Federal withholding is no longer deducted from Iowa taxable wages.
  - The standard deduction amount for employees claiming zero or one withholding allowance has increased from \$2,210 to \$13,850.
  - The standard deduction amount for employees claiming two or more withholding allowances has increased from \$5,450 to \$27,700.
  - The rate table has changed.
- **Kentucky Income Tax Withholding:**
  - The annual standard deduction is increasing from \$2,770 to \$2,980.
  - The tax rate has changed from 5.0% to 4.5%.
- **Louisiana State Income Tax Withholding:**
  - The income tax withholding formula for the State of Louisiana has been updated effective Jan. 1, 2023.
  - Employees claiming Single marital status and 2 personal exemptions will no longer be taxed as Single claiming only 1 personal exemption.
  - These employees will be taxed based on 2 personal exemptions using the same formula as a Married employee claiming 2 personal exemptions.
- **Maine State Income Tax Withholding:**
  - The annual exemption per allowance claimed has increased from \$4,450 to \$4,700.
  - The Single and Married standard deduction tables have changed.



- The Single and Married withholding tables have changed.
- **Maryland State Income Tax Withholding:**
  - The minimum Standard Deduction has increased from \$1,600 to \$1,700.
  - The maximum Standard Deduction has increased from \$2,400 to \$2,550.
  - The Maryland State and Counties Taxing Authorities documentation is being updated to include the following county income tax rate changes:

COUNTY	CODE	NEW RATE
Allegany	24-001	3.03%
Cecil	24-015	2.80%
St. Mary's	24-037	3.00%
Washington	24-043	2.95%

- **Michigan State Income Tax Withholding:**
  - The annual amount per exemption is increasing from \$5,000 to \$5,400.
- **Minnesota State Income Tax Withholding:**
  - The annual amount per exemption has increased from \$4,450 to \$4,800.
  - The Single and Married withholding tables have changed.
- **Mississippi State Income Tax Withholding:**
  - The state income tax withholding formula has changed.
  - The tax table has changed.
- **Missouri State Income Tax Withholding:**
  - The flat tax rate for supplemental wages has changed from 5.3% to 4.95%.
  - The standard deduction amount for employees claiming Single, Married Filing Separate, and Married and Spouse Works has increased from \$12,950 to \$13,850.
  - The standard deduction amount for employees claiming Married and Spouse Does Not Work has increased from \$25,900 to \$27,700.
  - The standard deduction amount for employees claiming Head of Household has increased from \$19,400 to \$20,800.
- **Montana Income Tax Withholding:**
  - The annual amount per withholding allowance has increased from \$1,900 to \$2,070.

- The withholding table has been updated.
- **Nebraska Income Tax Withholding:**
  - The annual amount per withholding allowance has increased from \$2,080 to \$2,140.
  - The Single and Head of Household withholding table has been updated.
  - The Married withholding table has been updated.
- **New Mexico Income Tax Withholding:**
  - The Single, Married, and Head of Household withholding tables have changed.
- **New York Income Tax Withholding:**
  - The Single and Married tax tables have changed.
- **North Carolina Income Tax Withholding:**
  - The flat tax rate on supplemental wages has changed from 5.09% to 4.85%.
  - The wage tax rate for all filers has changed from 5.09% to 4.85%.
  - The adjustment based on the minimum additional withholding amount required to be claimed by nonresident aliens has been changed.
- **North Dakota Income Tax Withholding:**
  - The tax tables for all filing statuses have changed.
- **Oregon Income Tax Withholding:**
  - The standard deduction amount for Single filers claiming less than 3 allowances has increased from \$2,420 to \$2,605.
  - The standard deduction amount for Single filers claiming 3 or more allowances has increased from \$4,840 to \$5,210.
  - The standard deduction amount for Married filers has increased from \$4,840 to \$5,210.
  - The annual tax credit amount, per exemption, has increased from \$219 to \$236.
  - The annualized deduction for federal tax withheld has increased from a maximum of \$7,250 to \$7,800.
  - The tax tables have changed for all filers.
- **Rhode Island Income Tax Withholding:**
  - The annualized wage threshold where the annual exemption amount is eliminated has been increased from \$241,850 to \$260,550.
  - The wage table has been updated.
- **South Carolina Income Tax Withholding:**

- The flat tax rate on supplemental wages has changed from 7.0% to 6.5%.
- The deduction per personal exemption has increased from \$2,750 to \$4,310.
- The maximum standard deduction in case of any exemptions has increased from \$4,580 to \$6,475.
- The state tax table has changed.
- **Vermont Income Tax Withholding:**
  - The annual amount per exemption has increased from \$4,500 to \$4,850.
  - The Single and Married tax tables have changed.

### **Local Tax Changes**

- **Indiana Local Income Tax Withholding:**
- County of Boone:
  - The local income tax for Boone has changed effective Oct. 1, 2022.
  - A new exemption has been added equal to \$3,000 for each adopted child.
  - The resident income tax rate has changed from 1.5% to 1.7%.
- County of Johnson:
  - The local income tax for Johnson has changed effective Oct. 1, 2022.
  - A new exemption has been added equal to \$3,000 for each adopted child.
  - The resident income tax rate has changed from 1.2% to 1.4%.
- County of Knox:
  - The local income tax for Knox has changed effective Oct. 1, 2022.
  - A new exemption has been added equal to \$3,000 for each adopted child.
  - The resident income tax rate has changed from 1.2% to 1.7%.
- County of LaPorte:
  - The local income tax for LaPorte has changed effective Oct. 1, 2022.
  - A new exemption has been added equal to \$3,000 for each adopted child.
  - The resident income tax rate has changed from 0.95% to 1.45%.
- County of Monroe:
  - The local income tax for Monroe has changed effective Oct. 1, 2022.
  - A new exemption has been added equal to \$3,000 for each adopted child.
  - The resident income tax rate has changed from 1.345% to 2.035%.
- County of Montgomery:
  - The local income tax for Montgomery has changed effective Jan. 1, 2023.
  - The resident income tax rate has changed from 2.1% to 2.65%.
- **Kentucky Local Income Tax Withholding:**
- Boone County:
  - The taxable wage base is increasing from \$67,179 to \$72,906.
  - The employee tax rate remains at 0.8%.
  - The maximum tax is \$583.25.

- **New York Local Income Tax Withholding:**
- Yonkers:
  - The Single and Married tax tables have changed.

The above tax changes were implemented for the noted pay periods and will not be retroactive to employees' withholdings. To determine if any of these changes will affect you, you may review the IBC memoranda. These pages may also be located by using the following steps:

1. Access the IBC – Customer Central website at: <http://www3.ibc.doi.gov/>.
2. Select Human Resources, then on the Payroll Operations drop down list, click the Payroll Announcements link.
3. Under Payroll Announcements, click on the link related to the appropriate memo topic:
  - a. **Memo: Tax Changes Implemented Pay Period (PP) 2023-23 IN, NE, and Localities for IN, KY, and OR**
  - b. **Memo: Tax Changes Implemented Pay Period (PP) 2023-22 Locality for CO**
  - c. **Memo: Tax Changes Implemented Pay Period (PP) 2023-23 instead of PP 2023-22: ND (corrects Oct. 11 memo)**
  - d. **Memo: Tax Changes Implemented Pay Period (PP) 2023-18: IL**
  - e. **Memo: Tax Changes Implemented Pay Period (PP) 2023-17: AR, ID, UT, and Localities for PA**
  - f. **Memo: Tax Changes Implemented Pay Period (PP) 2023-10: MD, MI, and WV**
  - g. **Memo: Tax Change Implemented Pay Period (PP) 2023-04: VT**
  - h. **Memo: Tax Changes Implemented Pay Period (PP) 2023-03: IL and Localities in KY and OH**
  - i. **Memo: Tax Changes Implemented Pay Period (PP) 2023-02: Federal, PR, AZ, CA, CO, DC, IN, IA, KY, LA, ME, MD, MI, MN, MS, MO, MT, NE, NM, NY, NC, ND, OR, RI, SC, VT and Localities in IN, KY, and NY**

You may also review the IBC payroll withholding formulas by using the following steps:

1. Access the IBC – Customer Central website at: <http://www3.ibc.doi.gov/>.
2. Click on **Human Resources**.
3. Click on **Payroll Manuals**.
4. From left navigation list, click on the **Payroll Topics** option.
5. Click the **Federal, State, and Territorial Withholding Formulas** link.

## Tax-related Questions

If you have pay questions related to these tax changes, please call the IBC Customer Support Center at 720-673-9958 or by email at [Payroll\\_Helpdesk@ios.doi.gov](mailto:Payroll_Helpdesk@ios.doi.gov).

For questions concerning this notice, contact:  
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877-677-2123 (877-NSSC123) or [nssc-contactcenter@mail.nasa.gov](mailto:nssc-contactcenter@mail.nasa.gov)