



COMPTROLLER of MARYLAND

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Comptroller

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TO: All State Employees

FROM: Dhiren V. Shah, Director
Central Payroll Bureau

DATE: January 13, 2025

SUBJECT: Payroll Changes Effective January 1, 2025

Please make the following information accessible to employees of your agency.

1. Social Security (FICA) Tax for Employees

The Social Security Administration (SSA) has announced that the Social Security taxable wage base for 2025 will increase from 2024 (\$168,600) to 2025 (\$176,100). The employer's FICA tax rate will hold steady at 7.65% for 2025 and the employee social security portion of the FICA tax rate will remain at 6.20% for all wages up to and including \$176,100. The employee Medicare portion of the FICA tax rate will be 1.45% for all wages up to and including \$200,000. The employee Medicare portion of the FICA tax rate will be 2.35% on all wages earned in excess of \$200,000.

FICA Tax is composed of two portions:

- a) OASDI (Old Age, Survivors, Disability Insurance) or better known as the Social Security Tax
 - 2025 FICA taxable wages capped at \$176,100
 - 2025 Social Security tax rate of 6.20% on wages up to \$176,100 results in a maximum payment of \$10,918.20 each for employer and employee as Social Security taxes
- b) Medicare (Hospital Insurance)
 - Medicare tax applies to all FICA taxable wages. There is no cap for this tax
 - 2025 Medicare tax computed as 1.45% of all wages up to and including



\$200,000 (EX: \$2,900.00 for FICA taxable earnings of \$200,000)

- 2025 Medicare tax computed as 2.35% on all taxable wages in excess of \$200,000 (EX: \$5,875.00 for FICA taxable earnings of \$250,000)

Therefore, for the first \$176,100 in FICA taxable earnings employers and employees will each pay a total tax amount of \$ 13,471.65 (\$10,918.20 + \$2,553.45). For **EMPLOYERS** all FICA taxable earnings in excess of the \$176,100 will continue to be taxed at the rate of 1.45% for Medicare. For **EMPLOYEES** please see Page 1 Medicare explanation.

2. Medicare (Hospital Insurance) Tax for Certain Employees

The Medicare (Hospital Insurance) Tax, which is the only Social Security tax applicable to some University of Maryland and certain State Police employees, shall apply to every dollar of FICA taxable earnings in 2025. The Medicare (Hospital Insurance) remains the same as 2021. See explanation on Page 1 under Medicare tax rates.

3. State Withholding Tax Changes

The tax rates and rate brackets which became effective for all tax years beginning after December 31, 2011, as listed below, are unchanged for 2025.

Taxpayers Filing Joint, Head of Household or for Qualifying Widows/Widowers

Taxable Income	Tax Rate
\$1 - \$1,000	2.00 percent
\$1,001 - \$2,000	3.00 percent
\$2,001 - \$3,000	4.00 percent
\$3,001 - \$150,000	4.75 percent
\$150,001 - \$175,000	5.00 percent
\$175,001 - \$225,000	5.25 percent
\$225,001 - \$300,000	5.50 percent
In excess of \$300,000	5.75 percent

Taxpayers Filing as Single, Married Filing Separately, or as dependent Taxpayers

Taxable Income	Tax Rate
\$1 - \$1,000	2.00 percent
\$1,001 - \$2,000	3.00 percent
\$2,001 - \$3,000	4.00 percent
\$3,001 - \$100,000	4.75 percent
\$100,001 - \$125,000	5.00 percent
\$125,001 - \$150,000	5.25 percent
\$150,001 - \$250,000	5.50 percent
In excess of \$250,000	5.75 percent

Exemption Amount – Remains unchanged at \$3,200 for 2025.

For taxpayers with higher incomes, the exemption amount is limited as follows:

Taxpayers Filing Joint, Head of Household, or for Qualifying Surviving Spouse

Federal Adjusted Gross Income	Exemption Amount
\$100,000 or less	\$3,200
\$100,000 - \$125,000	\$3,200
\$125,000 - \$150,000	\$3,200
\$150,001 - \$175,000	\$1,600
\$175,001 - \$200,000	\$800
In excess of \$200,000	\$0

Taxpayer Filing as Single, Married Filing Separately

Federal Adjusted Gross Income	Exemption Amount
\$100,000 or less	\$3,200
\$100,000 - \$125,000	\$1,600
\$125,000 - \$150,000	\$800
\$150,001 - \$175,000	\$0
\$175,001 - \$200,000	\$0
In excess of \$200,000	\$0

The additional \$1,000 exemption amount for a taxpayer or spouse being at least 65 years of age or blind remains.

Maryland Refundable Earned Income Credit Calculation: Maryland filers claiming the federal EITC may also be eligible for a refund of a percentage of this amount through their Maryland tax return. The RELIEF Act establishes this percentage at 50% for tax year 2025.

Declaration of Estimated Taxes: If you are required by law to file a declaration of estimated tax for any year and you either (1) fail to file on the date prescribed, (2) **fail to pay the installment or installments when due** or (3) estimate a tax less than 90% of the developed tax shown on the return for the current taxable year and which estimate was less than 110% of the tax that was developed for the prior year, you will be subject to the penalties and interest as provided by law for the failure to file a return and the failure to pay a tax when due.

4. Maryland County Income Tax Withholding

For tax year 2025, the local rates for some counties changed. Note: Nonresident local tax rate is 2.25%.

Central Payroll Bureau is required to tax at maximum local rate of 3.20% absent of employee submitted address data on Form W-4 and/or MW507. When this occurs, the county code on the employee’s pay stubs will reflect HW for Howard County.

5. The “Military Spouses Residency Relief Act” remains.

This act amended the “Service Members Civil Relief Act” so that exemption from Maryland income tax is applicable if the following three conditions are met:

- a. Your spouse is a member of the armed forces present in Maryland in compliance with military orders
- b. You are present in Maryland solely to be with your spouse
- c. You maintain your domicile in another state

If you claim exemption under this Act, you must complete form MW507M and attach a copy of your spousal military identification card in addition to submitting form MW507.

6. Federal Withholding Tax Changes

The Federal income tax withholding rates will change effective January 1, 2025

- To view the Federal Tax Tables, visit our Web site at:

<https://marylandtaxes.gov/statepayroll/employees-current-memos.php>

Click on “2025 Federal Income Tax Withholding information”

7. Annual Wage and Tax Statement (Form W-2) for 2024

The Central Payroll Bureau issued laser-printed annual Wage & Tax Statements (Form W-2) on January 27, 2025. Maryland State employees who had signed up to receive the electronic only W-2 version before December 17th, had access to their 2024 W-2s as of January 19, 2025 by logging on to Central Payroll Bureau’s POSC portal. We encourage employees to sign up for electronic only option that gives you early access to your W-2 in secured environment.

Three copies of the W-2 statement are provided for use with Federal and State returns plus a copy for the employee to retain. Additional copies are available to the employee or agency payroll personnel via our web site home page, menu option POSC, throughout the year beginning January 31st 2025.

8. Maryland Electronic Filing Program

Maryland Income Tax returns can be filed for “free” using “iFile”. For information on iFile visit the Comptroller’s web site at: www.marylandtaxes.gov or call: 1-800-MD-TAXES

Individuals can email their state tax questions to: taxhelp@marylandtaxes.gov

9. Explanation of the W-2

Our web site offers a detailed explanation of the W-2 which can be downloaded for employees who need assistance in understanding the difference between their year-to-date earnings shown on the last pay stub (or “stubs” if the employee worked for more than one agency during the year) and the taxable wages shown on their Form W-2. The “Your 2024 W-2, What You Need to Know” information can be accessed from our home page:

<https://www.marylandtaxes.gov/divisions/cpb.php>

Click on “Employees, W2’s”

Click on “Explanation of Your W2”

NOTE: The Patient Protection and Affordable Care Act of 2010 requires that employers report the total aggregate cost of group health plan coverage to their employees annually on the W-2. Although this cost is included on the W-2 (in Box 12, under Code DD), it is informational only and is **NOT** included in taxable income. The aggregate cost of coverage that is reported on the W-2 is based on what you pay toward the Pharmacy Plan, Basic Health Insurance and the subsidized amount the State of Maryland pays toward your plan's coverage.

10. Request for Duplicate W-2

Duplicate W-2's may be requested via phone starting on February 15, 2025. Current available request lines are: 410-260-7964 (local) and 1-888-674-0019 (toll free in Maryland). Requests taken by phone are batched and processed on a weekly cycle. For faster service, employees are encouraged to download a copy using the POSC (Payroll Online Service Center) application, located on the Central Payroll Bureau Web Site: <https://www.marylandtaxes.gov/statepayroll/online-services.php>

11. State Tax Return Requirements

Employee contributions to any of the following retirement or pension systems will be noted on the first line in box 14 of the W-2 labeled as "STPICKUP". If an employee is due a refund of their Maryland taxes, failure to add the "State pickup amount" on line 3 of the 502 form or line 19 of the 505 form Maryland state tax returns can result in the refund being delayed. This is an additional modification required because the "state pickup amount" is only sheltered for Federal income tax purposes and is fully taxable for the State income tax and Social Security (FICA) purposes.

Check Stub Description	
ST TCHR RETMT	ST EMP RETMT
ST POL RETMT	JUDGES RETMT
LEGIS RETMT	LAW ENF RETMT
LAW ENF PN-MODS	ST TCHR PENS
STEMP PENSION	ST TCH ALT PEN
ST EMP ALT PEN	ST MSD EMP MOD

Employees will use the amount in box "16" of the Form W-2 (labeled "State wages, tips, other compensation) for their State taxable wages. Because the Maryland Tax Return (Form 502 or 505) uses the "Federal adjusted gross wages" as the starting point for determining State taxable wages, box "16" (State Wages) was deliberately left blank in previous years. The use of software tax preparation programs or electronic/internet filing requires state wages to be reported without Federal Adjustments, so box 16 will this year contain the correct amount needed by those programs to begin completing the state tax return.

State instructions can be accessed through our web site at: www.marylandtaxes.gov

Under the heading "Individual Taxpayers" Click on "Income Tax Forms and Instructions"

12. Maryland Charities Campaign Deduction

The Voluntary deductions for the Maryland Charities Campaign, which were solicited in the Fall of 2024, will be effective starting with the Regular Payroll pay period ending January 7, 2025, paid on January 15, 2025 (the corresponding University of Maryland pay period ending is December 28, 2024, paid on January 3, 2025, and Contract pay period ending is December 31, 2024 and paid on January 8, 2025). The payroll deductions will continue for 26 pays.

13. Unemployment Insurance Premium

The Unemployment Insurance Premium subsidy rate effective for the FY2025 is 0.14%. Unemployment Insurance Wages exclude cafeteria plans and dependent and health care plans.