

Memo

Date: January 6, 2026

To: Agency Payroll, HR, and Accounting Staff

From: Katie Karow, Director, Statewide Payroll Services

RE: Net Pay Changes in 2026

Employees’ net pay may be affected by changes to deductions and taxes in the new year. The changes mentioned below will be effective beginning with the January 9, 2026, paycheck. This information is also available on the [Announcements](#) page.

A version of the Net Pay Calculator updated with the 2026 tax rate changes has been posted on the Minnesota Management & Budget website under [Payroll Calculators](#) on 1/2/2026. The Net Pay Calculator calculates an employee’s biweekly net pay in the same way SEMA4 calculates paychecks. The program only calculates state taxes for Minnesota residents. This program allows agency staff to do “what if” calculations that can assist in answering employee questions. The Net Pay Calculator uses Microsoft Excel. If you are unable to use the calculator, you should contact your agency application software specialist or system administrator.

Throughout 2026:

- In 2026, all insurance premiums and all flexible spending account deductions will continue to be taken from the first two paychecks of each month. Nearly all employees will receive a third paycheck in May and October without insurance or flexible spending account deductions.
- Changes to some bargaining unit membership dues will result in either an increase or decrease in net pay.
- The contribution limits for employees who participate in 403(b), and 457(b) plans will increase for 2026.

457(b) – Deferred Compensation Plan

| Participant Age | 2026 Maximum Limit |
|------------------|--------------------|
| Under age 50 | \$24,500 |
| Age 50-59 | \$32,500 |
| Age 60-63 | \$35,750 |
| Age 64 and Older | \$32,500 |
| Catch-Up* | \$49,000 |

Plan 403(b) – Tax Sheltered Annuity Plan

| Participant Age | 2026 Maximum Limit |
|------------------|--------------------|
| Under age 50 | \$24,500 |
| Age 50-59 | \$32,500 |
| Age 60-63 | \$35,750 |
| Age 64 and Older | \$32,500 |

Changes to Optional Savings Plans Catch-Up Contributions in 2026

Beginning January 1, 2026, agency employees participating in the Minnesota Deferred Compensation Plan (MNDCP) 457(b) and/or the Minnesota State TSA Plan 403(b) may have additional requirements for age-

based contributions based on prior-year income. Depending on the employee's prior-year income, employee age-based contributions may be required on a Roth after-tax basis. These changes are a result of the SECURE 2.0 Act.

The new SECURE 2.0 Provision mandates that deferred compensation plan age-based contributions for participants age 50 or older be directed to a designated Roth account when the participants' 2025 Social Security wages are \$150,000 or more. For more information, please refer to the bulletin [Changes to Optional Savings Plans Catch-Up Contributions in 2026](#), posted on the MMB website on 12/30/2025.

About age-based contributions

The following additional age-based contributions must be made on a Roth after-tax basis if the participants' 2025 Social Security wages were \$150,000 or more.

- Age 50+ - Participants may defer an additional \$8,000
- Age 60-63 - Participants may defer an additional \$11,250
- Age 64 & Older - Participants may defer an additional \$8,000

* The Catch-Up Provision is excluded from the Roth contribution requirement for higher income earners. The Catch-Up Provision permits participants under certain circumstances to contribute up to the maximum limit stated for 2026. For details, contact the plan administrator.

(For contact information, refer to [Questions](#) below).

Minnesota Paid Leave

On January 1, 2026, the [Minnesota Paid Leave \(MPL\)](#) program launched. The program provides job-protected leave and partial pay to eligible Minnesota workers. Minnesota Paid Leave is a combination of employee and employer contributions.

Employees will notice four new tax rows when reviewing their paystubs.

- **MN PFL/EE** – 0.135% for Employee Paid portion of Family Leave.
- **MN PML/EE** – 0.305% for Employee Paid portion of Medical Leave.
- **MN PFL/ER** – 0.135% for Employer Paid portion of Family Leave.
- **MN PML/ER** – 0.305% for the Employer Paid portion of Medical Leave.

January 9, 2026 Paycheck:

Tax Withholding

Changes in Federal, Minnesota, and some other States tax tables will be effective on this paycheck.

- **Minnesota Paid Leave** premiums will be reflected in the Taxes section for the employee and in the Paid Benefit section for the Employer portion.
- **The amount of Federal and State withholding** for any employee may increase or decrease depending on the employee's amount of taxable gross pay.
- **The Federal supplemental tax rate** remains unchanged at 22%.
- **Social Security withholding** for employees will remain unchanged at 6.2% for 2026.
- **The maximum annual earnings subject to Social Security** will increase from \$176,100 to \$184,500 for 2026.
- **Medicare** continues at 1.45% on all earnings subject to Medicare, with an additional Employee Contribution Rate of 0.9% when the annual earnings subject to Medicare is \$200,000 and above.
- **Minnesota supplemental tax rate** will remain unchanged at 6.25%.

Charitable Contributions

Employees who entered Combined Charities Campaign pledge amounts in Self Service using the default dates supplied on the Voluntary Deductions page will see the deduction starting on this check. Employees are responsible for managing their own charitable contributions using the links and instructions in Self Service. Employees can add, stop, or edit a charitable deduction at any time.

Flexible Spending Accounts (Dependent Care, Medical/Dental Expense, and Transit Expense)

The three deductions for Dependent Care, Medical/Dental Expense, Transit Expense Account-Parking, and Transit Expense Account-Bus Pass/Vanpool were stopped after the pay period ending December 16. New amounts authorized by employees for 2026 will be deducted starting with this paycheck. All of these accounts are exempt from Federal, State, Social Security, and Medicare tax withholding, so if employees added, stopped, or changed the amounts during open enrollment, their tax withholding will be affected.

Insurance

2026 insurance rates will be effective with this paycheck. For details on rates, refer to the [2026 Benefits Information Guide](#).

Medical Insurance:

The employee-paid portion of medical insurance premiums will increase slightly for most employees for 2026. The employee contribution for single medical coverage will be \$24.47 per paycheck. The employee contribution for family coverage will be \$166.96 per paycheck.

Dental Insurance:

The employee-paid portion of dental insurance premiums for single coverage in 2026 will be \$7.25 per paycheck, and the employee contribution for family coverage will be slightly higher at \$30.93 per paycheck.

Employees who made changes to medical and/or dental insurance during open enrollment will see the new premium on this paycheck. For those employees who have their premiums taken pre-tax, an increase in the deductions (e.g., employee-paid medical insurance or if an employee changed from single to family dental coverage) will decrease federal, state, Social Security, and Medicare tax withholding slightly.

Other employee-paid insurance changes will also be effective on this paycheck. Employees who made changes to their long-term disability, optional employee, or spouse life insurance and/or manager's income protection plan during open enrollment will see the new premium on this paycheck. Also, employees with optional employee or spouse life insurance will notice an increase in premium if the age of the employee or spouse changed to a five-year increment in; 2026 e.g., the employee changed from 39 to 40 years old in 2026. Employee-paid life and disability insurance does not have an effect on tax withholding.

Questions?

Tax Withholding or Charitable Deductions: Agency Payroll, HR, and Accounting staff should contact Jennifer Goossen at 651-201-8072 or email if there are questions regarding tax withholding or charitable deductions.

Insurance: If employees notify your office of an incorrect amount being deducted for any insurance or pre-tax expense accounts, or other insurance related questions, contact the State Employee Group Insurance Program at 651-355-0100 or segip.mmb@state.mn.us.

Plans 403(b) and 457(b):

- For Plan 403(b) – Tax Sheltered Annuity questions, contact:
 - TIAA- Minnesota State’s Retirement Center at 1-800-682-8969, Monday - Friday, 8:00 a.m. to 10:00 p.m. and ask to speak to a Minnesota State’s Retirement Center Representative.
 - Minnesota State Benefits Helpdesk at employee.benefits@minnstate.edu.
- For Plan 457(b) – Deferred Compensation Plan questions, contact:
 - MSRS Service Center at 1-800-657-5757, option 3, Monday - Friday 8:00 a.m. to 4:30 p.m.

PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF