

January 2026 Newsletter

California and Federal HR 2026: What Employers Should Prepare for Now (Snapshot - Pay Information)

California Compliance Snapshot (2026 - Pay Information)

Minimum Wage

- \$16.90 per hour effective January 1, 2026 (all employers)
- Increase from \$16.50 in 2025

Healthcare Worker Minimum Wage (SB 525 / SB 828)

- \$24.00 per hour for many covered healthcare workers through June 30, 2026
- \$25.00 per hour effective July 1, 2026 for certain employers
- (including large health systems and dialysis clinics)

Pay Transparency

- Job postings must include a good-faith estimate of the pay scale expected for the role

Federal Compliance Snapshot (2026 - Pay Information)

Overtime & Tip Income – Federal Tax Treatment

- Qualifying overtime pay and tips are not subject to federal income tax through December 31, 2028
- Social Security and Medicare taxes still apply
- Employers must track and report qualifying amounts on W-2s beginning in 2026

Federal Overtime Tax Deduction

- Employees may deduct:
 - Up to \$12,500 of qualified overtime pay, or
 - Up to \$25,000 for joint filers
- Applies to the 2025 tax year (filed in 2026)
- “Qualified overtime” refers to the additional half-time premium required under the FLSA

Download our [**HR Compliance Blueprint \(2026 Edition\) Federal & State of California**](#) to ensure your pay practices, job postings, and payroll systems are fully aligned.