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Key Contacts within the Payroll Department:

Payroll Department
 973.491.8000

Atit Desai
 Deputy Controller, Payroll
 973.491.4473

William Forke
 Director, Payroll Taxes,
 Accounting & Deductions
 973.491.4492

Tammy Davis-Brooks
 Sr. Manager, Payroll Taxes
 & Accounting
 973.491.4650

Jyoti Patel
 Sr. Manager, Deductions &
 Pension Payroll
 973.491.4692

Joseph Schmatz
 Director, Payroll
 Operations
 973.491.4478

Mark Falanga
 Sr. Manager, Payroll
 Operations
 973.491.4634

Shanisa Bryant
 Sr. Manager, Payroll
 Operations
 973.491.4597

Robert Canuel
 Manager, Payroll Systems
 908.938.0370

KRONOS Helpline:
 KronosHelp@njtransit.com

This is our 29th edition of the Payroll newsletter published to keep NJ TRANSIT's employees informed of Payroll tax updates and other Payroll topics.

WHAT'S NEW IN TAXES

The Federal government has announced the following 2026 Social Security Tax Rate and Earning Bases:

| 2026 | |
|-------------------------------|--------------|
| Social Security (FICA) | |
| Rate: | 6.20% |
| Maximum Earning Base: | \$ 184,500 |
| Maximum Tax: | \$ 11,439.00 |
| Medicare Tax (Med) | |
| Earnings up to \$200,000 | 1.45% |
| Over \$200,000 | 0.9% |

The **Supplemental Federal Income Tax Rate is 22%**. Supplemental wages include retroactive wage payments, lump sum payments, cash-ins for leave balances, bonus pay, prizes and awards, and other similar payments.

The **New Jersey State Unemployment and Family Leave Insurance Earning Bases** have increased. The tax rates for 2026:

| 2026 | | |
|------------------------------|--------------|-----------|
| | Earning Base | Rate |
| NJUI | \$44,800 | 0.425% |
| FLI | \$171,100 | 0.23 % |
| NJDI | \$171,100 | 0.19 % |
| Maximum Tax Withheld | | |
| Unemployment Tax (NJUI) | | \$ 190.40 |
| Family Leave Insurance (FLI) | | \$ 393.53 |
| Disability Tax (NJDI) | | \$ 325.09 |

The **Railroad Retirement Tax Rate and Earning Bases for 2026 tax year** are as follows:

| 2026 | |
|-------------------------------|-------------|
| Tier I SS (Tier 1E) | |
| Rate: | 6.20% |
| Maximum Earnings Base: | \$184,500 |
| Maximum Tax: | \$11,439.00 |
| Tier I – Med. (Med 1E) | |
| Earnings up to \$200,000 | 1.45% |
| Over \$200,000 | 2.35% |
| Tier II (Tier 2E) | |
| Rate: | 4.90% |
| Maximum Earnings Base: | \$ 137,100 |
| Maximum Tax: | \$ 6,717.90 |

Retirement Earnings Test:

The 2026 rates have changed. Individuals who collect Social Security retirement benefits **before reaching their normal retirement age (NRA)** will lose \$1 in benefits for every \$2 they earn over \$24,480/year (or \$2,040/month).

For individuals who reach their NRA in 2026, benefits will be reduced by \$1 for every \$3 in earned income above \$65,160/year (or \$5,430/month). Starting with the month the worker reaches full retirement age there is no limit on earnings.

Mileage Reimbursement:

The IRS has announced that the business standard mileage reimbursement rate for 2026 has increased. The rate for 2026 is 72.5 cents per mile (up from 70 cents in 2025).

Flexible Spending Account:

The annual allowable before-tax 2026 contribution for a Health Care FSA is \$3,400. You may carryover \$680 to the following year. The Dependent Care FSA annual limit will remain at \$5,000, which is the maximum allowed under IRS regulations. NJ Transit will not adopt the higher \$7,500 limit due to

concerns about meeting IRS non-discrimination testing requirements.

Deferred Compensation:

The annual maximum contribution to qualified Deferred Compensation plans has increased to:

| Plan | 2026 |
|------------------------|----------|
| 401(k) | \$24,500 |
| 457 | \$24,500 |
| Catch-up | \$ 8,000 |
| Catch-up (age 60 – 63) | \$11,250 |

The Catch-up Provision:

Employees who will attain age 50 during the calendar year 2026 are eligible to contribute an additional \$8,000 to their 401(k) or 457 plans. This is a "Catch-up" provision implemented by the "Economic Growth and Tax Relief Reconciliation Act of 2000" (EGTERRA) to allow employees who are approaching retirement to save additional money in their defined contribution retirement plans. If you are interested in this option, please contact **Empower at (800) 254-6658** or by **website:**

<http://www.25GONJT.com>

YEAR-END REMINDERS:

In order to ensure prompt delivery of your 2025 W-2 and 1095-C forms, please review your current payroll check or direct deposit advice and ensure that the address reflected is accurate. If you anticipate relocating, complete a Personal Information Change Form available on @TransitE-Forms\HR\Personal Information Change Form, and **submit the form to the HRISStaff@njtransit.com**. This will ensure that your 2025 W-2 and 1095-C forms are mailed to the correct address.

NJT Cost of Health Care Coverage:

Effective 2012, the Affordable Care Act required employers to report the cost/value of coverage for the employer sponsored group health plan in box 12 of the employee's W-2 Tax Form, with Code DD to identify the amount. Reporting the cost of the plan coverage on the W-2 Tax Form does not mean

that the coverage is taxable. This reporting is for informational purposes only and provides employees with useful and comparable consumer information on the cost of health care coverage provided by their employer. For more information visit the IRS website.

Duplicate W-2's:

The 2025 W-2 Forms will be mailed by January 31, 2026 (**or sooner**), as required by law. After distribution, in the event an employee loses or does not receive the tax form, **duplicate W-2's will be available to active employees via the NJ Transit Employee Self-Service System.**

<https://selfservice.njtransit.com>

Inactive employees can request duplicate W-2 forms by calling the Payroll Department 973-491-7244 (Bus, Corp and Police) or 973-491-8870 (Rail).

W-4 Tax Withholding:

Review your current tax withholding status. If your information has changed, or if you simply wish to change/add details for tax withholding, you must file an amended 2026 Form W-4. New 2026 W-4 Forms are available on @TransitE-Forms\Payroll or Payroll by calling ext. 973-491-7244 (Bus, Corp and Police) or 973-491-8870 (Rail). If you require additional information, please refer to IRS Publication 919, "Is My Withholding Correct", or by calling **1-800-829-3676** or visit:

www.irs.gov/forms

Electronic Payment (formerly Direct Deposit):

NJ TRANSIT's Electronic Payment program is an easy, safe, and convenient method of depositing your net pay into your personal bank account(s). Instead of a payroll check, you will receive an Electronic Payment advice (pay stub) confirming your deposit. The electronic advice also details all pay transactions and deductions, including your gross to net pay. Your pay will be deposited into your personal bank account(s) and funds will be available by your pay date.

Electronic pay (direct deposit) is mandatory company wide. Employees can elect to electronically deposit their pay in up to (4) accounts. Electronic Payment must cover your total net pay; therefore, employees choosing Electronic Payment **cannot also** receive a (live) paycheck.

All active employees can view their pay advice/stub electronically (online). Employees that do not wish to provide their own bank account information for direct deposit will be issued a Money Network Pay Card for their electronic pay. There are fees associated with the use of a Money Network Pay Card. The fee information is included in the Money Network Packet when a card is issued to an employee.

NOW IS A GREAT TIME TO SIGN UP FOR ELECTRONIC PAYMENT

- ✚ **Saves Time -**
No rush to get to or waiting on long lines in the bank.
- ✚ **Fast -**
Your net pay is deposited as cash on payday and is immediately accessible.
- ✚ **Sure -**
Your net pay is automatically deposited in your account(s), even when you are away on Vacation.
- ✚ **Safe - You don't have to carry cash**
Simply complete the Electronic Payment application form available on the @TRANSIT Website, and submit the form to Payroll – ElecPayApp@njtransit.com

Employee Name Changes:

In the event an employee wishes to change his/her name, he/she must provide legal proof of the name change, as well as an updated Social Security Card. This will ensure that all Social Security or Railroad Retirement withholdings are credited to the correct employee's social security number and name.

Other changes such as address, telephone number, marital status, emergency contact, or spousal information must be **submitted to HRIS** by completing a Personal Information Change form along with the appropriate supporting documentation. Blank forms can be obtained from **@TRANSIT Website HRIS**, or the Human Resources Department on the 6th floor of 2 Gateway and GOB.

SECURE 2.0 ACT

The SECURE 2.0 Act made changes designed to encourage employees to contribute to their employers' 401(k) and 457. These changes allow employers to offer small financial incentives to employees who choose to participate in these retirement savings arrangements. For example – 2.0 increases catch-up limits for participants ages 60-63 in 401(k) and 457(b) plans to the greater of \$10,000 or 150% of the regular catch-up amount. While catch-up contributions for workers age 50 and older will remain at \$8,000, investors age 60 to 63 can save more, thanks to Secure 2.0. The higher catch-up contribution for workers age 60 to 63 increases to \$11,250 in 2026. These workers can defer a total of \$35,750. You can use the following website to access any/all information for 2.0 and how it affects you.

Mandatory Roth Catch-up for High Earners:

Key points about SECURE 2.0 changes in 2026: Roth catch-up contribution requirement for high earners: employees age 50 or older whose prior-year wages exceed \$150,000 (2025 wages, indexed for inflation) must make any catch-up contributions to employer retirement plans such as 401(k), 403(b), and governmental 457(b) plans on a Roth (after-tax) basis only; pre-tax catch-up contributions will no longer be permitted above this income limit, and plans without a Roth option may be unable to accept catch-ups. Example: if an employee turns 50 in 2026 and earned \$150,000 in 2025, any catch-up contributions they make in 2026 must be Roth; however, if their 2025 wages were \$149,999 or less, they may continue to choose either pre-tax or Roth catch-up contributions.

NJT Pension and Payroll teams are actively monitoring IRS guidelines related to these changes and will provide timely updates to help employees adapt seamlessly. Please visit below link for more information.

<https://www.empower.com/the-currency/life/what-is-secure-act-2>

ONE BIG BEAUTIFUL BILL ACT (OBBBA)

No Tax on Overtime:

The One Big Beautiful Bill Act (OBBBA) introduces a widely discussed provision often referred to as “no tax on overtime,” effective for tax years 2025 through 2028. In practice, this does not eliminate payroll taxes or income tax withholding on overtime pay. Instead, it allows eligible workers to claim a federal income tax deduction on their tax return for qualified overtime premium pay, subject to limits (\$12,500 for single filers, \$25,000 for joint filers) and the deduction phase-outs beginning at \$150,000 MAGI (\$300,000 joint). The benefit is realized when employees file their taxes, not in their paychecks.

A key limitation is that “qualified overtime” under OBBBA is defined strictly by the Fair Labor Standards Act (FLSA). Under FLSA, overtime generally applies only to hours worked over 40 in a workweek, paid at time-and-a-half, and only the premium portion of that pay (the extra 0.5× above the regular rate) is eligible for the deduction. Payroll systems will still withhold federal income tax, Social Security, and Medicare as usual. For reporting purposes, the total wages, including overtime, will continue to appear in Box 1 (Wages, tips, other compensation) of the Form W-2, while Social Security and Medicare wages will remain in Boxes 3 and 5. Any eligible FLSA overtime premium is expected to be separately identified in an informational box (such as Box 14 or a designated IRS reporting field) so employees can properly claim the deduction when filing their federal tax return. Example: if an NJ Transit employee earns \$30 per hour and works 45 hours in a week, they are paid \$45 per hour for the 5 overtime hours; the extra \$15 per hour (the 0.5× premium) is the amount eligible for the OBBBA deduction, even though the full \$45 rate remains included in taxable wages on the W-2.

This distinction is especially important for employees at NJ Transit, where overtime is often governed by collective bargaining agreements (CBAs) rather than FLSA alone. Many NJ Transit union contracts provide overtime after 8 hours in a day, or premium pay for weekends, holidays, or special assignments. While these payments are valid contractual overtime, they may not qualify as FLSA overtime and therefore may not be eligible for the OBBBA tax deduction. As a result, a significant portion of overtime earned by union employees could remain fully taxable for federal income tax purposes.

For More Information, please refer to the below link that discusses how qualified overtime compensation is defined, deduction limits, and points to forthcoming updates that will help taxpayers claim the deduction on their federal returns.

<https://www.irs.gov/newsroom/treasury-irs-provide-guidance-for-individuals-who-received-tips-or-overtime-during-tax-year-2025>

ADDITIONAL YEAR-END REMINDERS:

Commuter Reimbursement:

NJ TRANSIT offers a Commuter Choice Tax Benefit program (formally known as the Qualified Transportation Fringe Benefit). This program allows employees to set aside **before tax dollars** for reimbursement of commuter parking and transit fares on public transportation. For 2026, the monthly limit on the amount that may be excluded from an employee's income for qualified parking benefits is **\$340**. The combined monthly limit for 2026 for transit and vanpooling expenses is **\$340**.

Fringe Benefit 2026

| | |
|----------------------------|-------|
| Parking | \$340 |
| Transit pass/Comm. Vehicle | \$340 |

Stale-Dated Paychecks:

Payroll checks become void 120 days after the issue date. If you are in possession of a stale dated payroll check, please return the check immediately to Cash Management, 2 Gateway, Newark. If the Payroll Department confirms entitlement and outstanding status, the check will be replaced.

Health Care: Individual Responsibility

The Affordable Care Act sections 6055 and 6056 require NJ TRANSIT to file and furnish annual information returns to the IRS and individual statements to employees (Form 1095-C, Employer-Provided Health Insurance Offer and Coverage) relating to offers of health coverage and enrollment in health insurance. Individuals generally use this information to confirm that they enrolled in minimum essential health coverage in calendar year 2025. Through its employer sponsored health benefits, NJ TRANSIT offers its full-time employees affordable health coverage meeting the ACA minimum essential coverage requirement.

IRS Notice 2019-63 extended the deadline to provide ACA 1095-C Reporting Forms to employees no

later than to March 2, 2026. You are not required to send the form with your tax filing. Keep the IRS Form 1095-C with your tax documents.

For more information, visit: www.irs.gov/Affordable-Care-Act

Wellness Incentive Program

NJ TRANSIT has a wellbeing and rewards program through *Castlight*. The program is free, voluntary, and confidential to employees and provides information on NJ TRANSIT health benefits and preventive programs. Employees can also earn points based on their healthy choices and program participation, as well as redeem points for gift cards and entries into quarterly sweepstakes!!

To learn more about Castlight go to atransit.njt.gov/department/benefits/employee-benefits or register at mycastlight.com/njtransit.

Important Note: As per IRS Regulations, the value of wellness incentives or rewards received is considered taxable income to the employee; this includes incentives or rewards earned by a spouse, domestic partner, partner. As such, the value is categorized under the employee's EARNINGS and labeled as "Wellness Incentives" on NJ TRANSIT paystubs.

WHERE TO GO FOR INFORMATION:

Social Security Statements are available online at:

www.socialsecurity.gov/myaccount

You must first create a "My Social Security" Account. Once you establish an account you can view your social security statement at any time. Paper statements are no longer mailed by SSA.

Social Security Administration

1-800-772-1213

or

www.socialsecurity.gov

Internal Revenue Service

Call for inquiries, forms, instructions, publications, or answers to most frequently asked questions.

1 800-829-1040

Or

www.irs.gov

New Jersey Family Leave Program:

The Department of Labor & Workforce Development
1-609-292-7060

or

www.nj.gov/labor/myleavebenefits/

Railroad Retirement Board:

877-772-5772

or

www.rrb.gov

State of New Jersey:

1-609-292-6400

or

www.state.nj.us/treasury/taxation

State of New York:

1-518-457-5181

or

www.tax.ny.gov

State of Pennsylvania:

1-717-787-8201

Or

www.pa.gov/agencies/revenue

City of Philadelphia:

1-215-686-6600

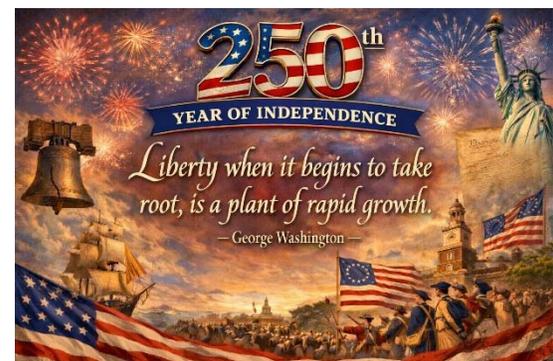
or

www.phila.gov/revenue

Affordable Care Act (ACA):

www.irs.gov/Affordable-Care-Act

INSIGHTFUL QUOTE



Greetings from the Staff of the Payroll Department

To all, we wish you Happy Holidays and the very best for the New Year.