Compliance Newsletter - August 2026

Welcome to the latest edition of our Compliance Newsletter, where we bring you the latest updates and essential action items to ensure your business remains compliant with federal and state regulations.

HR Compliance Updates - Federal & State

Alaska

Employers Can Start Using Payroll Card Accounts to Pay Employees

As of July 1, 2026, Alaska **employers of all sizes** may now pay employees through a payroll card account if an employee agrees to the arrangement or does not participate in direct deposit. The payroll card account must also meet certain requirements.

Payroll card accounts must give employees **at least one cost-free withdrawal each week or pay period** (whichever is longer). This can be up to the amount of the employee's net wages and must include unlimited, cost-free access to their account balance through an automated telephone system and an electronic method.

Employer payroll card accounts **cannot charge fees for**:

- Employee enrollment or participation
- Issuing an employee's initial payroll card and one replacement card per calendar year
- Transfers of employees' pay from the employer to the payroll card account
- Point-of-sale purchases

Payroll card account deposits must also be insured (insurance can be provided by any entity that insures bank deposits).

Employers using payroll card accounts must **notify employees** of:

- Their wage payment options
- The payroll card terms and conditions
- Fees the issuer assesses (and that additional fees may apply)
- How they can access their account balances and wages for free

We recommend providing these disclosures in writing before enrolling employees.

California

California Consumer Privacy Act (CCPA) Privacy Regulations Revised

Beginning January 1, 2027, new regulations under the California Consumer Privacy Act (CCPA) will take effect regarding risk assessments, the tracking of automated decision-making technology (ADMT) use, and required ADMT notice and opt-out processes.

While the major compliance deadlines do not hit until 2027 and beyond, CCPA-covered employers should use 2026 to evaluate whether the new requirements apply and begin preparing.

CCPA-covered employers include **for-profit businesses with operations in California that also meet any of the following**:

- Have a gross annual revenue of over $25 million
- Buy, sell, or share the personal information of 100,000 or more California residents or households
- Derive 50% or more of their annual revenue from selling California residents' personal information

State Minimum Wage Increasing for 2027

Announced July 31, 2026, Governor Gavin Newsom declared California's statewide minimum wage will increase from $16.90 per hour to **$17.40 per hour, effective January 1, 2027**.

Employers should note that there is no minimum wage law for tipped employees, who must be paid the state minimum wage or more.

The increase will also affect California's salary threshold for certain exempt employees. Under California law, executive, administrative, and professional employees generally **must earn a salary equivalent to at least twice the state minimum wage to qualify for exemption** from overtime requirements.

The **minimum salary amount for exempt employees** is:

- **Monthly:** $6,032
- **Annual:** $72,384

Employers should review compensation levels for exempt employees and evaluate any necessary salary adjustments before the new rate takes effect.

Additionally, for California workers in certain industries, specific minimum wage increases have already gone into effect as of July 1, 2026.

Minimum Wage Increase for Healthcare Workers

As of July 1, 2026, nonexempt healthcare workers at certain covered facilities received a scheduled minimum wage increase, with new rates ranging from $19.28 to $25 per hour.

Below are the covered employers, followed by the minimum wage increase for certain healthcare workers:

Covered Healthcare Employers	Minimum Wage Updates
Hospital or Integrated Health System with 10,000 or more full-time employees	**$24.00/hour**
Dialysis Clinics	**$25.00/hour**
Safety Net Hospitals	**$19.28/hour**
Intermittent Clinics, Community Clinics, Rural Health Clinics, or Urgent Care Clinics associated with	**$22.00/hour**

Covered Healthcare Employers	Minimum Wage Updates
Community or Rural Health Clinics	
All other covered health care facilities not listed in the other categories and not run by Counties	**$23.00/hour**
Covered Health Care Facilities run by Large Counties (more than five million people as of 1/1/23)	**$25.00/hour**
Covered Health Care Facilities run by Medium Sized Counties (250,000 to five million people as of 1/1/23)	**$23.00/hour**
Covered Health Care Facilities run by Small Counties (less than 250,000 people as of 1/1/23)	**$19.28/hour**
Skilled Nursing facilities not owned, operated, or controlled by a Hospital, Integrated Health Care delivery system, or Health Care System	**$23.00/hour** ***Only takes effect if patient care minimum spending requirement is passed**

Minimum Wage Increase for Hospitality Workers in San Diego

As of July 1, 2026, the San Diego minimum wage increased for the following types of hospitality businesses, including:

- **Hotels and amusement parks:** $19 per hour
- **Event centers:** $21.06 per hour

Employers should post the minimum wage notice where covered employees work and provide it in writing to each covered employee (new hires at time of hire; electronic distribution is allowed). Post and distribute it in English and in any other language spoken by at least 5% of employees at the worksite if needed

Colorado

State Business Filings to Start Requiring EEO-1 Data

Effective July 1, 2027, certain employers with **100 or more employees** will need to include federal EEO-1 data in the Periodic Reports they file with the Colorado Secretary of State.

Covered employers are those that are required to file Periodic Reports (such as LLCs and corporations), and that were, or would have been, required to submit EEO-1 data to the EEOC as of March 1, 2026.

Even if the federal government eliminates the federal EEO-1 requirement, covered employers will still need to include the data that was covered by the EEO-1 in their Periodic Reports. The Secretary of State is expected to provide guidance on how to submit the data closer to the deadline in the near future.

Connecticut

Medical Cannabis Law Expanded

Effective October 1, 2026, Connecticut **employers of all sizes** cannot refuse to hire an applicant, take, or threaten to take adverse action against an employee based on their status as a qualifying out-of-state medical cannabis patient or caregiver unless doing so would violate a federal law or is required to obtain federal funding.

This does not restrict an employer's ability to prohibit the use of cannabis during work hours and take disciplinary action if an employee is under the influence during work hours. The change mirrors the protections and exceptions already in place for in-state qualifying patients and caregivers.

Louisiana

Unpaid Organ and Bone Marrow Donor Leave Added

Effective August 1, 2026, Louisiana **employers of all sizes** will need to provide up to 30 consecutive days of job-protected, unpaid leave to any employee who donates an organ or bone marrow.

The law is silent on how this leave interacts with others, but it's expected that employers can run this new leave concurrently with the bone marrow donor leave already on the books (which applies to employers with 20 or more employees and provides 40 hours of paid, job-protected leave). HRCG has contacted the state to confirm and will provide an update as needed.

Minnesota

Minimum Wage Increase for Workers in St. Paul

As of July 1, 2026, St. Paul's minimum wages for small and micro businesses increased as follows:

- **Small Businesses (6-100 employees):** $16.37 per hour
- **Micro Businesses (5 or fewer employees):** $14.25 per hour

It's important to note that the minimum wage for St. Paul employers with **101 or more employees remains at $16.37 per hour**.

New Jersey

Annual Employer Fee for Employees on Medicaid Established

As of July 1, 2026, New Jersey employers with **50 or more employees covered through the state's Medicaid program** are subject to a new annual fee.

Covered employers will be assessed a fee for each Medicaid-covered employee and dependent as follows:

- **50-249 Covered Employees:** $325
- **250-499 Covered Employees:** $525
- **500 or more Covered Employees:** $725

The state will notify affected employers **annually by March 1**, and employers will have **until April 15 to file and pay electronically**. Additional regulations and guidelines

are expected to address key questions, including when fees are triggered and how employers can appeal an assessment.

New York

New York City Safe and Sick Leave Laws Expanded

As of July 23, 2026, New York City expanded the Earned Safe and Sick Time Act (ESSTA) rules to include new obligations, which apply to **employers of all sizes**.

Under the amended rules, the required ESSTA leave information that employers must provide to employees in writing each pay period, including accrued, used, and total leave balances, must be separated into paid and unpaid leave. This is typically provided on a pay stub, though any written format is acceptable.

Additionally, employers that use an electronic system allowing employees to access their ESSTA information directly will need to give terminated employees continued access for **at least six months**, or provide a written statement with the required information from their final pay period **within one week of their last payday**.

Virginia

New Criminal History Record Protections Enacted

As of July 1, 2026, under the Clean Slate Law, Virginia **employers of all sizes** generally cannot require applicants to disclose sealed arrests, charges, or convictions at any point during the hiring process. This includes on employment applications or during interviews.

When responding to employer questions about arrests, charges, or convictions, applicants do not have to reference or provide information about their sealed records.

The law contains several exceptions, such as if the position involves law enforcement or national security, so employers should review the exceptions to determine if any apply.

If a job application includes any questions about prior arrests, charges, or convictions, the employer must notify the applicant, either in the application or in a separate notice, that sealed records do not have to be disclosed.

Washington

Minimum Wage Increase for Workers in Everett and Renton

As of July 1, 2026, minimum wages for Everett and Renton increased as follows:

- **Everett:** For employers with 15-499 employees or annual revenue over $2M, the minimum hourly wage will increase to $19.77 per hour
    - Rates remain unchanged for employers of other sizes
- **Renton:** For employers with 15–500 employees or $2M+ annual revenue within Renton, the minimum hourly wage will increase to $21.57
    - Rates remain unchanged for employers of other sizes

Federal

EEOC Proposes Eliminating EEO-1 Requirements

On July 23, 2026, the Equal Employment Opportunity Commission (EEOC) announced a proposed rule that, if finalized, would eliminate federal EEO-1 reporting and related recordkeeping requirements. It would also eliminate the EEO-2 through EEO-6 requirements.

Because this is only a proposed rule, **employers should not make changes to their EEO compliance practices just yet**. It is unclear whether the rule would eliminate the requirement to file 2025 EEO data, which would be due later this year, or would apply only to future reporting years. Given this uncertainty, employers should stay prepared for 2025 data collection. HRCG will keep a close eye on this issue and update you when the final rule is released.

Mileage Reimbursement Rate Increased

Announced on July 13, 2026, and retroactively effective on July 1, 2026, the IRS standard mileage rate increased to 76 cents per mile driven for business purposes (up from 72.5 cents) due to rising fuel prices.

Use of this rate is optional for private employers, but it is widely accepted as an easy and standard reimbursement rate for employees who use their personal vehicles for work

ACA Affordability Threshold Increases for 2027

Announced on July 21, 2026, the IRS declared that the Affordable Care Act (ACA) affordability threshold will increase from 9.96% to **10.22% for plan years beginning in calendar year 2027**. This means coverage will be considered “affordable” if the

employee's required contribution for the lowest-cost, employee-only coverage that provides minimum value does not exceed 10.22% of the employee's wages.

Under the ACA's employer shared responsibility provisions, applicable large employers, generally those with **at least 50 full-time equivalent employees during the preceding calendar year**, must offer affordable, minimum-value health coverage to **at least 95% of all full-time employees and their dependent children**, or be subject to potential employer shared responsibility penalties.

SECURE 2.0 Amendments Due Soon

Due December 31, 2026, under IRS Notice 2024-0, employers must formally amend their retirement plan documents to reflect changes made from the SECURE 2.0 Act. Most 401(k) and 403(b) sponsors will receive an amendment package from their recordkeeper or third-party administrator during the second half of 2026, often with an internal return-by date, months ahead of the IRS deadline.

The following provisions under the SECURE 2.0 Act are **mandatory on every retirement plan document**:

- **Required minimum distribution (RMD) age 73:** Participants born between 1951 and 1959 begin distributions at 73; the age moves to 75 for those born in 1960 or later, beginning in 2033. The document change is routine, but it is worth confirming that no participant was pushed into a distribution a year early during the 2023–2024 transition
- **No lifetime RMDs from in-plan Roth accounts:** Designated Roth balances inside a 401(k) or 403(b) are excluded from the lifetime RMD calculation, matching Roth IRA treatment. Confirm the recordkeeper actually removed Roth balances from the RMD base
- **Surviving spouse RMD election:** A surviving spouse who is the sole designated beneficiary may elect to be treated as the deceased participant for RMD purposes; a later required beginning date and the Uniform Lifetime Table rather than the Single Life Table. The plan document must authorize the election and state whether the plan applies it automatically or only on request. That default is a real decision, not boilerplate
- **Long-term part-time employees:** Two overlapping rules apply: the original three-consecutive-year, 500-hour standard effective 2024, narrowed to two consecutive years effective 2025 and extended to ERISA-covered 403(b) plans.
    - **Key points:** The requirement covers elective deferrals only, so no match or nonelective contribution is owed; these employees may be excluded from coverage, nondiscrimination, and top-heavy testing; any year with 500 or more hours counts toward vesting if employer contributions are extended; and years before 2021 are disregarded for eligibility.
    - Operationally, this means tracking hours for a population the plan previously ignored entirely, a real payroll integration question for

employers with large part-time or seasonal workforces, not just a document change.

- **Roth-only catch-up contributions for higher earners (Effective January 1, 2026):** Participants age 50 and older whose prior-year FICA wages from that same employer exceeded $150,000 must make all catch-up contributions on a Roth basis, including the age 60-63 "super catch-up."
    - **Several details matter in practice:** The test is FICA wages, not plan compensation or W-2 Box 1, so partners and self-employed individuals with no FICA wages fall outside the rule; the threshold is measured employer by employer, so a mid-year new hire with no prior-year wages from that employer is not subject to it; and a plan that permits catch-ups but offers no Roth feature must either add one or stop accepting catch-up contributions from affected participants, as there is no third option
- **Mandatory automatic enrollment:** Applies only to 401(k) and 403(b) plans established after December 29, 2022, effective for plan years beginning after December 31, 2024. Covered plans need an eligible automatic contribution arrangement with an initial default deferral between 3% and 10%, automatic escalation of at least 1% per year to a minimum of 10% and a maximum of 15%, QDIA investment of default contributions, and a 90-day permissible withdrawal window. Employers with 10 or fewer employees, businesses less than three years old, governmental plans, church plans, and SIMPLE 401(k)s are exempt.
    - Note that "established" is measured at plan adoption rather than effective date, and merged or spun-off plans follow their own tracing rules, which is where acquisitions get complicated

The following provisions under the SECURE 2.0 Act are **optional on every retirement plan document**:

- **Student loan matching:** Allows a qualified student loan payment to be treated as an elective deferral for matching purposes. Requires annual employee certification, and the plan may run a separate ADP test for participants receiving these matches
- **Hardship self-certification:** Permits reliance on an employee's written certification that the distribution meets a safe-harbor need and does not exceed the amount required, without collecting supporting documentation
- **Emergency personal expense distribution:** Up to $1,000 per year, one per year, self-certified and exempt from the 10% early distribution penalty. No further withdrawal is permitted for three years unless the prior amount is repaid or new deferrals equal it

- **Domestic abuse victim distribution:** The lesser of $10,000 (indexed) or 50% of the vested balance, self-certified, penalty-free, and repayable within three years
    - Not available in plans subject to spousal consent requirements
- **Terminal illness distribution:** A penalty exception rather than a new distributable event; requires physician certification of a condition reasonably expected to result in death within 84 months
- **Federally declared disaster distributions:** A permanent framework replacing prior one-off disaster relief; up to $22,000 per qualifying disaster, penalty-free, with three-year income spreading and a three-year repayment window
- **Super catch-up, ages 60-63:** The greater of $10,000 or 150% of the regular catch-up limit, $11,250 for both 2025 and 2026
    - Participants revert to the standard catch-up at age 64, and the Roth requirement above applies to these amounts for affected earners
- **Roth employer match and nonelective contributions:** The employee elects Roth treatment before the contribution is made and must have at least an annual opportunity to make or change that election
    - Amounts must be fully vested when contributed, are immediately taxable to the employee, and are reported on Form 1099-R
- **Pension-linked emergency savings accounts:** Available to non-highly-compensated employees only, capped at $2,500, funded on a Roth basis, with at least one withdrawal permitted per month and no fee on the first four withdrawals per year
    - Administratively heavy, and adoption has been minimal
- **De minimis financial incentives:** Gift cards or similar incentives up to $250 to encourage employees to make a deferral election, funded outside plan assets
- **Increased involuntary cash-out limit:** Raises the mandatory distribution threshold for small vested balances from $5,000 to $7,000
- **Self-correction of plan overpayments:** Permits fiduciaries to decline to recoup inadvertent overpayments, subject to participant and rollover protections
- **Deemed Roth catch-up election:** Not a statutory provision, but a plan design feature blessed by the final regulations; It allows the plan to treat an affected participant's catch-up as Roth automatically, without an affirmative election, and supports the two permitted correction methods, W-2 correction and in-plan Roth rollover, when payroll misses someone mid-year.
    - For any employer with participants near the wage threshold, this is the most practically valuable election on the amendment form

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The Human Resource Consulting Group

117 Main St, Seymour, CT 06483
203.881.1755 | HRhelp@HR-Consulting-Group.com

