Compliance Newsletter - Mid-Year Roundup

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 - State and Federal

Alaska

Wage Payments Through Pay Cards Now Permitted

Effective July 1, 2026, Alaska **employers of all sizes** may now pay wages through a payroll card (pay card) account if an employee authorizes the arrangement or doesn't participate in direct deposit.

Qualifying cards must give employees **at least one cost-free withdrawal each pay period (up to their full net wages)** plus unlimited, cost-free access to their balance by phone and electronically.

Pay cards cannot charge fees for the following:

- Enrollment
- Initial card issued (including the free replacement card per year)
- Pay transfers
- Point-of-sale purchases

Note that any account deposits must be insured.

Employers must also notify employees of their wage-payment options, the card's terms and fees, and how to access their wages for free, preferably in writing, before enrollment.

California

New CCPA Privacy Regulations Finalized

Beginning January 1, 2027, new regulations under the California Consumer Privacy Act (CCPA) will go into effect.

While major compliance deadlines don't go into effect until 2027 and beyond, employers subject to the CCPA should use the remainder of 2026 to evaluate whether the requirements apply and begin preparing.

Key topics include:

- Required risk assessments and cybersecurity audits
- Tracking the use of automated decision-making technology (ADMT)
- Notice and opt-out processes involving ADMT

Colorado

Colorado Artificial Intelligence Act Repealed, New Law Proposed Instead

Originally scheduled to take effect June 30, 2026, the original Colorado Artificial Intelligence Act, which would have required new AI-related obligations, is repealed, meaning **there is nothing due by that deadline**.

In its place, the state enacted a new version of the law **scheduled to take effect January 1, 2027**. However, the law is currently on hold (stayed) by the courts pending a legal challenge. We'll provide an update when there's more clarity in a future newsletter.

Employer ID Retention Restricted

Effective immediately as of June 3, 2026, Colorado **employers of all sizes** cannot take, keep, or require applicants or employees to surrender their government-issued ID. An ID may be held during the I-9 process only as long as it takes to verify eligibility and make a copy (no more than 10 hours).

Employers must give written notice both in English and the individual's primary language, if known to be other than English, explaining how the ID may be held and used, and obtain a signed acknowledgment.

Voting Leave Expanded

Effective June 1, 2026, Colorado now requires **employers of all sizes** to allow voting leave on **any day that voter service and polling centers are open**, not just Election Day.

Leave isn't required if the employee already has **at least three consecutive non-working hours** while the polls are open.

Connecticut

Warehouse Quota Protections Enacted

Effective July 1, 2026, Connecticut **employers with 250 or more warehouse employees at a single Connecticut site** (or 1,000 or more statewide) must give nonexempt workers a written description of each quota they're subject to and any adverse action that could result from missing it.

Quotas can't interfere with meal periods or bathroom use, and quota-related records must be kept for **at least three years**.

Employers must provide written quota descriptions to current employees by August 1, and to all new hires after that.

New Connecticut AI & Transparency Act (CART)

Signed May 27, 2025, the CART Act regulates "automated employment-related decision technology" (AEDT) broadly as any technology that processes personal data and produces an output that is a substantial factor in employment decisions.

Employment decisions under the CART Act include:

- Hiring
- Promotion
- Disciplinary actions
- Termination

Beginning October 1, 2027, employers must tell employees and applicants when they're interacting with AEDT (unless obvious).

Before an AEDT-influenced decision is made, employers must disclose:

- The employer's contact information
- Technology's trade name
- The purpose and nature of the decision
- Categories and sources of personal data analyzed
- How acquired data will be assessed

These responsibilities can be shifted to an AEDT vendor by contract, and the Connecticut Attorney General can pursue unfair-trade-practice claims for non-compliance. Note that AEDT is not a defense to a discrimination claim.

Also, **effective October 1, 2026**, AI-related WARN provisions will be enforced.

Be sure to check out our recent article on Connecticut's latest labor law updates for 2026, which includes detailed information on the CT Workforce Development Bill, CART Act, and much more.

Federal

ICE Strengthens I-9 Penalties

As of July 1, 2026, ICE has **scrapped the "Virtue memo" framework** that gave employers a 10-day window to correct minor or technical I-9 errors before facing civil penalties. Under the new guidance, most technical mistakes, such as a missing employee birthdate or hire date, are reclassified as substantive violations that trigger immediate **penalties ranging from $288 to $2,861 per form**.

Enforcement is expected to intensify. Importantly, the new framework does not stop employers from proactively correcting issues before ICE identifies them.

Employers should self-audit I-9s now and confirm their electronic I-9 vendor maintains a clear, defensible audit trail.

H-1B Fee Vacated Until Further Notice

On June 8, 2026, a federal judge **struck down the $100,000 H-1B petition fee imposed by a September 2025 Presidential Proclamation**. H-1B visas let U.S. employers temporarily hire foreign workers in "specialty occupations" requiring specialized knowledge and at least a bachelor's degree, most commonly in technology, engineering, and medicine. The fee had been capped at $5,000 before the Proclamation raised it to an unprecedented $100,000, pricing many smaller employers out of the market.

The ruling came after a coalition of 20 states challenged the fee in a Massachusetts federal court. Citing Supreme Court precedent that the president can impose a tax or penalty only when explicitly authorized by Congress, the court held the increase lacked that authorization and vacated it in full.

Because the government has indicated it will appeal, employers using H-1B workers should watch for further developments.

DOL Proposes a Single Nationwide Joint-Employer Test

Effective April 22, 2026, the U.S. Department of Labor (DOL) proposed one standard for joint-employer liability across the FLSA, FMLA, and MSAWPA. There is currently no active DOL regulation defining the FLSA joint-employer test. The proposed

four-factor test asks whether the assumed joint employer hires and fires the worker, supervises and controls working conditions to a substantial degree, sets the rate and method of pay, and maintains employment records.

The rule addresses two scenarios, which include:

- **Vertical joint employment:** One job, two benefiting employers (e.g., a staffing agency and the host company)
- **Horizontal joint employment:** Separate hours for two related employers in the same week

Unlike the stricken 2020 rule, the proposal allows an entity's contractual right to control (not just actual control) to be considered, though actual control remains more determinative.

The public comment period closed June 22, and the DOL will review comments before issuing a final rule.

Employers with staffing-agency arrangements should review those agreements with this four-factor test in mind.

New DOL Wage & Hour Opinion Letters Released

Released on May 29, 2026, the Wage and Hour Division released a new round of opinion letters advising employers on topics ranging from whether a worker's meal break or pre-shift activities should be compensated to the threshold for determining an employee's overtime status.

These opinion letters offer useful reference points as employers review their timekeeping and classification practices.

IRS Releases 2027 HSA Limits

Effective for calendar year 2027, per IRS Revenue Procedure 2026-24, the 2027 health savings account contribution limits will be **$4,500 for self-only coverage and $9,000 for family coverage**. These figures are worth building into 2027 benefits planning and open-enrollment communications.

Reminder for 401(k) Compliance

Employers that sponsor a 401(k) plan should confirm that payroll practices match the written plan document, summary plan description, and recordkeeper procedures. Under ERISA, plan fiduciaries are expected to administer the plan prudently, solely in the interest of participants and beneficiaries, and in accordance with the plan's written terms. That means employee deferral elections, contribution changes, loan repayments, catch-up contributions, eligibility rules, and timing

requirements should flow through the approved plan process, not through one-off emails, verbal instructions, or informal requests to payroll.

Allowing employees to ask payroll directly for changes outside the plan document can create fiduciary risk for the employer and any individuals exercising discretion over plan administration. If payroll honors an informal request that is inconsistent with plan terms, applied inconsistently among employees, entered late, or not properly documented, the employer may face operational failures, correction costs, participant claims, DOL or IRS scrutiny, and potential fiduciary liability for losses or missed earnings. If the practice reveals a broader pattern of off-document changes, the financial exposure can grow quickly through missed contributions, required corrective contributions, earnings adjustments, excise taxes, penalties, and the potential to trigger IRS audit attention. The safest approach is to require all 401(k) elections and changes to be made through the plan's approved enrollment platform, with payroll acting only after receiving authorized, documented instructions from the plan provider.

Illinois

Chicago Fair Workweek Ordinance Updated

Effective June 1, 2026, the threshold for coverage under Chicago's Fair Workweek Ordinance rises to the following:

- **Salaried:** $64,945.55 per year
- **Hourly:** $33.85 per hour

The ordinance generally applies to employers in designated industries, such as healthcare and retail, with **100 or more employees**.

Separately, updated Fair Workweek Ordinance rules (new definitions, clarifications, and substantive changes) also took effect.

Maine

New Maine Pay Transparency Law

Effective July 28, 2026, Maine **employers with 10 or more employees** must include the hourly or salary pay rate or range in job postings for specific open positions that list preferred qualifications (commission-only roles must simply say so).

All employers, regardless of size, must share the pay range for an employee's current position on request. Position and pay-history records must be kept for the **duration of employment plus three years**, a span already required under federal law.

Employee Surveillance Restrictions Established

Effective July 28, 2026, employers that monitor employees through an electronic device or system must give current employees advance notice before surveillance begins, provide annual written notice thereafter, and notify applicants during interviews.

Audiovisual monitoring of employees' personal property (homes, personal vehicles) is prohibited unless required for job duties, and data-collecting apps can't be installed on personal devices without consent. Cameras used purely for safety/security and GPS on employer-owned vehicles are excluded.

Drug & Alcohol Testing Law Updated

Effective July 28, 2026, Maine's substance-testing law has been significantly updated with new terms, definitions, and requirements.

Key topics include:

- Employers may be permitted to perform "criteria-based" testing
- "Observable behavior" and "random testing" are now defined
- Employees and applicants may now contest a "non-negative test result"
- Employers are required to ensure that testing facilities can test blood samples
- Medical review officers are required to report test results to employers
- If in compliance with drug testing facility laws, employers can become qualified testing laboratories to collect samples from employees

Nebraska

New Mini-Warn Act

Effective July 17, 2026, Nebraska **employers with 100 or more full-time employees** undergoing a business closing or mass layoff must give **90 days' written notice to affected employees** and the Nebraska Department of Labor.
An employee counts as full-time if they work **at least 20 hours per week and have been employed at least six of the prior 12 months**.

Key requirements include:

- "Business closing" is defined as causing employment loss for 100+ full-time employees
- "Mass layoff" is defined as a reduction in force affecting 100+ at a single site within any 30-day period.
- The full 90 days isn't required where the closing or layoff stems from unforeseeable business circumstances or a natural disaster
- Notice must be posted in any language spoken by at least 5% of the workforce

New Jersey

The New Jersey Family Leave Act (NJ FLA) Expands

Effective July 17, 2026, the NJ FLA will now cover **employers with 15 or more employees** (originally 30) and apply to employees with **at least three months of service and 250 hours worked in the prior year** (previously a year of service and 1,000 hours).

In addition, employees using Temporary Disability Insurance (TDI) or Family Leave Insurance (FLI) gain job-restoration protections mirroring the NJFLA, whether reinstatement is made to the same or an equivalent position, expanding TDI and FLI beyond just insurance benefits. Employees eligible for both earned sick leave and TDI/FLI may choose the order in which they use each, but only one at a time.

Employers with 15 or more employees should post the NJFLA notice by July 17 and amend any NJFLA, TDI, or FLI policies as needed.

Oregon

Work Authorization Protections Expanded

Effective June 5, 2026, employers cannot discharge, discriminate, or otherwise take adverse action against an employee for updating, or trying to update, their personal information due to a lawful change in their federal work authorization documents. The protection applies broadly to anyone whose work authorization status changes, including visa holders and refugees.

Tennessee

Pay Timing Rules Expanded for Small Employers

Effective July 1, 2026, Tennessee **employers with five or more employees** have an extended deadline to pay commission or piecework to employees.

Key requirements include:

- Monthly-paid workers must be paid all compensation earned in a month by the last day of the following month (previously the fifth)
- Terminated workers must be paid by the last day of the month after termination
- New timing applies only to compensation earned on or after the effective date

Noncompete Ban for Low-Wage Earners Established

Effective July 1, 2026, Tennessee employers of all sizes may not request, require, or enforce noncompete agreements against employees earning **less than $70,000 per year**, a threshold that includes wages, commissions, and nondiscretionary bonuses (hourly pay is annualized at 40 hours × 52 weeks).

The ban applies to agreements created or updated on or after July 1; consult counsel to confirm existing agreements remain enforceable.

Virginia

New Pay Transparency & Salary History Ban

Effective July 1, 2026, employers must include a good-faith wage or salary range in **internal and external postings** and may not ask applicants about pay history. An applicant may volunteer it (e.g., to negotiate), but the employer can use it only to support a higher offer. Equal-pay laws still apply.

Updates to Noncompete Law

Effective July 1, 2026, noncompete agreements will be unenforceable against employees fired without cause unless the employer provides severance or other payment, which must be disclosed before the agreement is finalized. “For cause” is not defined in the law. These restrictions apply to agreements created, amended, or renewed on or after July 1.

Discrimination Protection Coverage Expanded

Effective July 1, 2026, the Virginia anti-discrimination law now reaches employers with **five or more employees** (originally 15). Smaller employers without a state-specific policy must add one before the deadline.

Protections Made for Volunteer Emergency Responders

Effective July 1, 2026, volunteer emergency responders will be protected from adverse action for missing work to respond to an emergency as a volunteer firefighter or EMS member. Employers are **not required to pay for the missed time**, but employees may use available paid leave.

Overtime Eligibility Updates Made for Certain Employees

Effective July 1, 2026, direct support service employees, those involved in personal-care services provided in-home, long-term, for the elderly, or disabled, will now be classified as nonexempt and overtime-eligible.

Workplace Violence Reporting Requirement Revised

Effective July 1, 2026, the hospital incident-reporting requirement now applies only to hospitals with emergency departments.

The required record content has been updated to include the following:

- Date and time of the incident
- Description of the incident, including the affected employees' job titles
- Perpetrator's identity
- Location of the incident
- Type of incident
- Response and consequences of the incident
- Reporter's information

Washington

Fair Chance Act Expanded

Beginning July 1, 2026, Washington's Fair Chance Act, which limits when and how employers can consider criminal records, has been expanded to strengthen protections for applicants with criminal histories.

Deadlines to comply with the latest requirements are as follows:

- **Employers with 15 or more employees:** comply by July 1, 2026
- **Employers with fewer than 15 employees:** comply by January 1, 2027

Given the complexity of the new rules, employers may want to reconsider how much weight they place on criminal history when evaluating applicants.

Wage & Hour Updates for 2026

REMINDER: Several States Set to Increase Minimum Wage Rates

Effective July 1, 2026, many states will be increasing their minimum wage rates for the new year as follows:

State	Locality	Minimum Wage Updates
Alaska	**Statewide**	**Standard:** $14.00/hour **Exempt Salary Threshold:** $58,240/year

State	Locality	Minimum Wage Updates
California	**Healthcare Workers**	California healthcare workers may be entitled to various minimum wage rates **ranging from $19.28/hour to $25.00/hour**, depending on the covered healthcare facility; be sure to check with the Department of Labor for More Information
	Alameda	**Standard:** $17.76/hour
	Berkeley	**Standard:** $19.61/hour
	Emeryville	**Standard:** $20.34/hour
	Fremont	**Standard:** $18.05/hour
	Glendale (Hotel Employers With 60+ Rooms)	**Standard:** $25.00/hour
	Long Beach (Hotel Employers With 100+ Rooms)	**Standard:** $26.50/hour
	Los Angeles (City)	**Standard:** $18.42/hour **Hotel Employers (60+ Rooms):** $25.00/hour with benefits OR $29.25 without

State	Locality	Minimum Wage Updates
	Los Angeles (County)	**Standard:** $18.47/hour
	Malibu	**Standard:** $17.91/hour
	Milpitas	**Standard:** $18.50/hour
	Pasadena	**Standard:** $18.57/hour
	San Diego	**Hotel and Amusement Park Employers:** $19.00/hour **Event Center Employers:** $21.06/hour
	San Francisco	**Standard:** $19.61/hour
	Santa Monica	**Standard:** $18.47/hour **Hotel Employers:** $25.00/hour
	West Hollywood	**Hotel Employers:** $20.87/hour
District of Columbia (Washington DC)	**District-wide**	**Standard:** $18.40/hour **Tipped:** $10.30/hour

State	Locality	Minimum Wage Updates
Illinois	**Chicago (Employers with 4+ Employees)**	**Standard:** $17.05/hour **Tipped:** $12.96/hour
	Cook County	**Standard:** $15.40/hour **Tipped:** $9.25/hour
Maryland	**Howard County (14 or Fewer Employees & Certain Entities)**	**Standard:** $16.00/hour **Tipped:** $3.63/hour
	Montgomery County	**1-10 Employees:** $15.95/hour **11-50 Employees:** $16.50/hour **51+ Employees:** $18.00/hour **Tipped:** $4.00/hour **Certain 501(c)(3), Home-health, and Medicaid-funded Employers With 11+ Employees:** $16.50/hour
Oregon	**Statewide**	**Standard:** $15.55/hour **Portland Metro Area:** $16.80/hour **Non-Urban Counties:** $14.55/hour
Washington	**Everett (Employers with 15-499 Employees or $2M+ Revenue)**	**Standard:** $19.77/hour *Rates unchanged for other sizes*

State	Locality	Minimum Wage Updates
	Renton (Employers with 15-500 Employees or $2M+ Revenue)	**Standard:** $21.57/hour *Rates unchanged for other sizes*
	Burien (Effective May 27, 2026)	**Small (15 or fewer Employees):** $19.21/hour **Medium (16-500 Employees):** $20.71/hour **Large (501+ Employees):** $21.71/hour

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