

State & Federal Employment Law Changes

Effective January 1, 2026

Pay & Payroll Updates

- Virginia minimum wage increases to \$12.77 per hour.
- Unemployment benefits increase by \$52 per week for new claims filed on or after January 1, 2026.
- No Tax on Overtime: Eligible hourly employees may deduct a portion of overtime earnings from federal income taxes. Employers must track overtime using new payroll codes.

Business Mileage

- IRS standard mileage rate increases to 72.5 cents per mile (up from 70 cents in 2025).

Health Insurance Coverage Changes

- No copays, deductibles, or fees for breast cancer screenings including mammograms, MRIs, and ultrasounds.
- Prostate cancer screenings, including blood tests and rectal exams, are now fully covered.

Expanded Workplace Protections

- Workplace discrimination protections apply to both in-office and remote work environments.
- Stronger penalties for violations based on race, religion, gender, or immigration status.

Health Savings Account (HSA) Updates

- Telehealth Safe Harbor is now permanent and retroactive to plan years starting January 1, 2025.
- Direct Primary Care (starting 2026): Certain DPC arrangements allow HSA contributions and tax-free payment of fees. Monthly limits: \$150 individual / \$300 family.
- More plans qualify starting 2026, including bronze and catastrophic plans, even if purchased outside an exchange.

What Leaders Need to Do Now

- Review wage rates to ensure compliance with the new Virginia minimum wage.
- Coordinate with payroll to implement overtime tracking codes.
- Update mileage reimbursement practices for 2026.
- Communicate benefit enhancements clearly to employees.
- Reinforce discrimination protections across both on-site and remote teams.