GUIDE

Texas payroll taxes, for employers

Texas employers withhold only federal income tax, Social Security and Medicare, because Texas has no state income tax. The state tax is Texas unemployment tax, paid by the employer on the first $9,000 of each employee's wages, with quarterly wage reports to the Texas Workforce Commission.

QUICK FACTS

- **State withholding.** No Texas income tax on wages
- **TWC wage base.** Unemployment tax on the first $9,000 per employee
- **Reports.** Due April 30, July 31, October 31 and January 31

What payroll taxes do Texas employers pay?

TAX	WHO PAYS	RATE
Federal income tax	Employee, withheld by you	Per the W-4 and IRS tables
Social Security	Both	6.2% each, up to $184,500 of wages for 2026
Medicare	Both	1.45% each, plus 0.9% withheld above $200,000
Federal unemployment (FUTA)	Employer	0.6% of the first $7,000 after the state credit
Texas unemployment (TWC)	Employer	Your assigned rate on the first $9,000

There's no Texas income tax and no local wage tax anywhere in the state. Use our Texas paycheck calculator to see what comes out of each check.

How does Texas unemployment tax work?

You register with the Texas Workforce Commission once you're liable, usually when you pay wages in Texas. New employers are generally assigned 2.7% or their industry's average rate if higher, and after a few years the rate is based on your own claims history. You pay on the first $9,000 of each employee's wages each year.

Wage reports and payments are due quarterly, by the last day of the month after each quarter: April 30, July 31, October 31 and January 31.

General information, not tax advice for your situation.

What other rules apply to Texas employers?

- **New hire reporting.** Report each new or rehired employee to the state within 20 days
- **Payday law.** Pay non-exempt employees at least twice a month and exempt employees at least monthly. Final pay is due within six days of a firing, and by the next regular payday after someone quits
- **Workers' comp.** Texas lets most private employers choose not to carry workers' compensation insurance, but employers that opt out lose important legal defenses and must notify the state and employees
- **Minimum wage.** Texas follows the federal minimum of $7.25 an hour

What do I file at year end?

W-2s to employees and the Social Security Administration by January 31, the fourth-quarter TWC report by January 31, and federal Form 940 for FUTA by January 31 too. Form 941 is filed every quarter. Our payroll service handles all of it.

Common questions

Does Texas have state payroll tax?
Only unemployment tax, paid by the employer to the Texas Workforce Commission. There's no state income tax to withhold.

What is the Texas unemployment tax rate for new employers?
Generally 2.7%, or the average rate for your industry if it's higher, on the first $9,000 of each employee's wages.

How often must Texas employers pay employees?
At least twice a month for non-exempt employees and at least once a month for exempt employees.

Is workers' comp required in Texas?
Not for most private employers. Texas lets you opt out, but you give up legal protections and must file notices.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

eminenttax.com