



Commonwealth of Massachusetts

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ANDREW W. MAYLOR.
COMPTROLLER

MEMORANDUM

To: Chief Fiscal Officers
From: Andrew W. Maylor, Comptroller
Date: July 31, 2019
Subject: Approved FY2020 Fringe Benefit and Payroll Tax Rates

Comptroller Memo FY2020-05

Executive Summary

The purpose of this memo is to notify departments of the approved fringe benefit and payroll tax rates for FY2020. The U.S. Department of Health and Human Services has approved the fringe rate of 35.48% and a payroll tax rate of 2.43%.

Comptroller Memo FY2020-01, dated January 22, 2019, advised departments that a fringe benefit rate of 35.55% and a payroll tax rate of 2.44% had been submitted to the U.S. Department of Health and Human Services for approval. The early notice was to assist departments in planning for FY2020. The U.S. Department of Health and Human Services has approved the fringe rate of 35.48% and a payroll tax rate of 2.43%.

These rates have been calculated with the concurrence of the Secretary of the Executive Office of Administration and Finance and the U. S. Department of Health and Human Services. Please see Administrative Bulletin ANF #5.

The following components comprise the approved FY2020 fringe benefit rate:

Group Insurance	20.17%
Retirement	14.08%
Terminal Leave	<u>1.23%</u>
Total	35.48%

This rate is applicable for both the state “5D” rate used to assess fringe benefit costs on all state funds, other than the General Fund, pursuant to M.G.L. Chapter 29, § 5D, and the “6B” rate used to assess fringe benefit costs on federally supported programs pursuant to M.G.L. Chapter 29, §6B. The rate is applied to salaries expended under object codes A01, A07, A09 and AA1 to determine these particular fringe benefit costs.

Because the costs of terminal leave salaries are allocated through the fringe benefit rate, A12, Sick-Leave Buy Back; A13, Vacation-in-Lieu; and A21, Payments for Deceased Employees object code expenditures may not also be claimed as direct costs on federally supported programs whether incurred on Federal grants, contracts or state appropriations subject to Federal reimbursement.

The following components comprise the approved FY2020 payroll tax and assessments rate:

Unemployment	0.39%
Universal Health	0.15%
Medicare	1.52%
Paid Family and Medical Leave (PFML)	<u>0.37%</u>
Total	2.43%

This rate is applicable to all account types pursuant to M.G.L. Chapter 151A, Sections 14C and 14G for unemployment and universal health insurance, respectively, and M.G.L. Chapter 7A, Sections 3, 7 and 8 for Medicare insurance. These rates are applied to regular and contract employees and is assessed to all AA and CC object codes with the exception of A75, A90, CC5, C33, C75, C90, and C98.

The Paid Family and Medical Leave (PFML) assessment will be applied to the same object codes as other payroll taxes, with identical exceptions, but each individual employee's earnings will be assessed only up to the contribution and benefit base established for the Social Security Administration's (SSA) Federal Old-Age, Survivors, and Disability Insurance program, [which is \\$132,900 for calendar year 2019](#). Per a recently enacted statute, the PMFL assessment has been delayed until October 1, 2019, so will not be applied until then.

The PFML earnings base of \$132,900 will be adjusted upward in calendar year 2020 by the increase in SSA's ["average national wage index"](#) between calendar years 2017 and 2018, to be issued by the SSA and posted to its website in October or November 2019. A mechanism is being developed by the Comptroller's Office to ensure that accounts are not assessed for wages and salaries above the SSA's contribution and benefit base; further information on this mechanism will be forthcoming.

All fringe benefit and payroll tax assessments determined by these rates will be charged to object code D09 at the close of each accounting period.

Please note that certain expenditures made under Interdepartmental Service Agreements (ISAs) may trigger the assessment of fringe benefit and payroll tax costs to the ISA child account and both the Buyer and Seller Departments are responsible for ensuring that these amounts are adequately funded in the ISA and identified in the ISA budget.

Questions regarding this memo's rates may be directed to Howard Merkowitz at (617) 973-2602.

Enc. [FY2020 Fringe Agreement Rate Chart – FY20 Fringe Rates -- Approved](#)

cc: MMARS Liaisons
Payroll Directors
General Counsels
Internal Distribution