



WILLIAM McNAMARA  
COMPTROLLER

# Commonwealth of Massachusetts

## OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR  
BOSTON, MASSACHUSETTS 02108  
(617) 727-5000  
MACOMPTROLLER.ORG



### MEMORANDUM

**To:** Chief Fiscal Officers  
**From:** Jeffrey Shapiro, First Deputy Comptroller  
**Date:** August 25, 2022  
**Subject:** Approved Fiscal Year 2023 Fringe Benefit and Payroll Tax Rates

Comptroller Memo FY2023-06

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#### Executive Summary

The purpose of this memo is to notify departments of the federally approved fringe benefit and payroll tax rates for Fiscal Year 2023. The U.S. Department of Health and Human Services has approved the fringe rate of 39.50% for general employees and 49.10% for uniformed employees and a payroll tax rate of 1.85%.

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[Comptroller Memo FY2023-01](#), dated March 16, 2022, advised departments that fringe benefit rates of 40.00% for general employees and 50.00% for uniformed employees and a payroll tax rate of 1.89% 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 Fiscal Year 2023. The U.S. Department of Health and Human Services has approved fringe rates of 39.50% for general employees and 49.10% for uniformed employees and a payroll tax rate of 1.85%.

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](#).

**Fringe Benefit Rates**

The following components comprise the approved Fiscal Year 2023 fringe benefit rates:

	<u>General Employee</u>	<u>Uniformed Employee</u>
Group Insurance	21.54%	21.54%
Retirement	16.70%	26.30%
Terminal Leave	1.26%	1.26%
<b>Total Fringe Benefit Rate</b>	<b><u>39.50%</u></b>	<b><u>49.10%</u></b>

**Payroll Tax Rate**

The following components comprise the approved Fiscal Year 2023 payroll tax and assessments rate:

Unemployment	0.07%
Universal Health	0.04%
Medicare	1.35%
Paid Family and Medical Leave (PFML)	<u>0.39%</u>
Total	1.85%

These rates are 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. c. 29, § 5D, and the “6B” rate used to assess fringe benefit costs on federally supported programs pursuant to M.G.L. c. 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.

This rate is applicable to all account types pursuant to M.G.L. c. 151A, §§ 14C and 14G for unemployment and universal health insurance, respectively, and M.G.L. c. 7A, §§ 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.

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.

Please direct any questions regarding this memo on the approved fringe and payroll rates to CTR's Chief Accounting Officer, Kristin Lacroix at [kristinm.lacroix@mass.gov](mailto:kristinm.lacroix@mass.gov).

Enc. Fiscal Year 2023 Fringe Agreement  
Rate Chart – Fiscal Year 2023 Fringe Rates -- Approved

cc: MMARS Liaisons  
Payroll Directors  
General Counsels  
Internal Distribution



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center  
Financial Management Portfolio  
Cost Allocation Services

26 Federal Plaza, Room 3412  
New York, NY 10278  
PHONE: (212) 264-2069  
FAX: (212) 264-5478  
EMAIL: CAS-NY@psc.hhs.gov

August 22, 2022

Mr. Jeffrey Shapiro  
Deputy Comptroller  
The Commonwealth of Massachusetts  
Office of the Comptroller  
One Ashburton Place, Room 901  
Boston, MA 02108

Dear Mr. Shapiro:

By letter dated March 17, 2022, your office transmitted proposed Fringe Benefit rates to cover the fiscal year ending June 30, 2023. The proposal, based on actual costs for the year ended June 30, 2021, provided for three rates, i.e., 40.0% applicable to all regular employees except “uniformed” employees (justices, police, corrections, and parole officers), and 50.0% applicable to uniformed employees. These rates include the costs for Group Insurance, Retirement, and Terminal Leave. The third rate of 1.89% is applicable to all regular, uniformed and contractual employees for the costs of Unemployment Insurance, Employer Medical Assistance Contribution, Medicare Tax and Paid Family Medical Leave.

Based on our review of your proposal, fixed rates of 39.50% (Group Insurance – 21.54%, Retirement – 16.70%, Terminal Leave – 1.26%), and 49.10% (Group Insurance – 21.54%, Retirement – 26.30%, Terminal Leave – 1.26%) for regular and uniformed employees, respectively, and the additional rate of 1.85% (Unemployment Insurance - 0.07%, Employer Medical Assistance Contribution – 0.04%, Medicare Tax – 1.35%, Paid Family and Medical Leave – 0.39%) are approved covering the period July 1, 2022 through June 30, 2023.

Fixed rates for FYE 06/30/2023 for regular and uniformed employees includes combined final carry forward of over-recovery amounting to Employer Medical Assistance Contribution: \$1,297,773, and under-recovery amounting to Terminal Leave: \$11,563,395, Unemployment Insurance: \$190,360, Medicare Tax: \$2,343,645 and Paid Family & Medical Leave: \$3,638,079. At the request of the Commonwealth of Massachusetts, only the portion mentioned above of the under-recovery of \$25,298,105 from finalizing the Terminal Leave FYE 6/30/2021 rate is included in the Terminal Leave rate computation. The remaining amount of \$13,734,710 is deferred and to be included in three equal amounts in FY2023, FY2024 and FY2025. The fixed FYE 6/30/2023 fringe benefit rates does not include any carry-forward amounts for Group Insurance and Retirement. For Group Insurance, under-recovery amount of \$93,112,165 is deferred and to be included in three equal amounts of \$31,037,388 in FY2023, 2024, 2025. For Retirement, under-recovery amounts of \$53,323,359 and \$30,668,369 applicable to regular and uniformed employees respectively are deferred and to be included in three equal amounts in FY2023, 2024, 2025.



This approval is based on information provided by the State and is void if the information is later found to be materially incomplete or inaccurate. In addition, this approval is subject to the following conditions with respect to the submission of your next proposal based on actual costs for the fiscal year ending June 30, 2022, which must be submitted by December 31, 2022:

1. The Salary and Wage (S&W) base will include a reconciliation of the amounts per the payroll systems with the amounts reflected in MMARS, which is the basis of the submission.
2. With respect to the Retirement component, the Commonwealth will submit all actuarial, GASB 68 and financial reports prepared, whether they relate to payments to the pension system or actuarially determined amounts.
3. With respect to the Group Insurance component:
  - a. Provide copies of Financial Statements, including expense details, covering the:
    - (1) Rate Stabilization Reserve
    - (2) State Employees' Trust Fund
    - (3) Employee Withholding Trust Fund
    - (4) State Retiree Benefits Trust Fund
  - b. If expenditures noted above are included in the FB proposal, provide a justification.

Your proposal and relevant correspondence should be submitted electronically at the following email address: [CAS-NY@psc.hhs.gov](mailto:CAS-NY@psc.hhs.gov).

In addition, please acknowledge your concurrence with the comments and conditions cited by signing this letter in the space provided below and **email** back to this office. If you have any questions, please contact my office at (212) 264-2069.


Sincerely,

Darryl W.  
Mayes -S

Digitally signed by Darryl W. Mayes -S  
DN: c=US, o=U.S. Government, ou=HHS,  
ou=PSC, ou=People,  
0.9.2342.19200300.100.1.1=2000131669  
, cn=Darryl W. Mayes -S  
Date: 2022.08.25 11:45:49 -04'00'

Darryl W. Mayes  
Deputy Director  
Cost Allocation Services

Concurrence:

Jeffrey S Shapiro   
Name

First Deputy Comptroller  
Title

8-25-2022  
Date

# Approved

COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF THE COMPTROLLER

## APPROVED FY2023 FRINGE BENEFIT RATE BASED ON FY2021 ACTUAL COSTS FOR ROLL FORWARD

### Fringe Benefit and Payroll Tax Rate Summary

	<u>General Employee</u>	<u>Uniformed Employee</u>	<u>Salaries Subject to Assessment</u>
Group Insurance.....	21.54%	21.54%	A01, A07, A09, AA1
Retirement.....	16.70%	26.30%	A01, A07, A09, AA1
Terminal Leave.....	1.26%	1.26%	A01, A07, A09, AA1
<b>Total Fringe Benefit Rate.....</b>	<b>39.50%</b>	<b>49.10%</b>	Applicable to Regular and Uniformed Employees
Unemployment Insurance.....	0.07%	0.07%	AA & CC*
EMAC Universal Health Insurance.....	0.04%	0.04%	AA & CC*
Medicare Tax.....	1.35%	1.35%	AA & CC*
Paid Family & Medical Leave	0.39%	0.39%	AA & CC*
<b>Total Payroll Tax Rate.....</b>	<b>1.85%</b>	<b>1.85%</b>	Applicable to Regular, Uniformed, and Contract Employees *Exceptions noted below

Rates represent both the "6B" rate mandated by M.G.L. C.29, s.6B and applicable to federal grants, federally funded contracts, and claims for federal reimbursements; and the "5D" rate mandated by M.G.L. C.29, s.5D and applicable to non-budgetary accounts and budgetary funds. See Executive Office of Administration and Finance Administrative Bulletin A&F5, dated May 1, 2008, entitled, Fringe Benefits, Payroll Taxes and Indirect Costs.

Group Insurance, Retirement and Terminal Leave rates apply only to regular employees and are assessed against object codes A01, A07, A09 and AA1 to determine these fringe benefit costs.

Unemployment Insurance, Universal Health Insurance, Medicare Tax and Paid Family Leave rates apply to regular and contract employees and are assessed to all AA and CC object codes with the exception of A75, A90, CC5, C33, C75, C90, and C98. These rates will be used to assess costs on all account types.

The General Employee rates are applicable to all contract employees and regular employees other than uniformed employees.

The Uniformed Employee rates are applicable only to judges, the uniformed employees of Sheriffs Departments, POL, DOC, ENV, prosecutors in the District Attorneys Offices, state firefighters (DCR), parole officers (PAR), investigators of ABCC and DOR, and other employees under Retirement Groups 3 and 4.