



Commonwealth of Massachusetts

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To: Chief Fiscal Officers
From: Kristin Lacroix, Assistant Comptroller
Date: April 9, 2024
Subject: Fiscal Year 2025 Proposed Fringe Benefit and Payroll Tax Rates

Comptroller Memo FY#2025-01

Executive Summary

Pursuant to M.G.L. c. 29, §§ 5D and 6B, the Comptroller is required to recover fringe benefits from all federal grants and non-budgetary funds. In addition, the Comptroller is also required to recover employer payroll taxes for Unemployment Insurance, Universal Health Insurance, Medicare Tax and Paid Family Medical Leave. Per statute, the methodology for setting rates to recover fringe benefits and payroll taxes is to be determined by the Secretary of Administration and Finance. Pursuant to Administrative Bulletin No. 5 (A&F5), entitled "Fringe Benefits, Payroll Taxes and Indirect Costs," the Secretary has designated the negotiation and setting of these rates to the Comptroller. The purpose of this memo is to advise departments of the proposed fringe benefit and payroll tax rates for Fiscal Year 2025.

Fringe Benefit Rate

The Fiscal Year 2025 fringe benefit rate proposal has been calculated at 43.43% for general employees and 63% for uniformed employees of regular compensation (salaries expended under object codes A01, A07, A09 and AA1).

The methodology used to calculate the fringe benefit rate is based on the actual costs to the Commonwealth's General Fund of providing health insurance and pension benefits, as well as sick leave and vacation buyback (terminal leave) and is designed to recover those costs from all federal grants and other non-budgetary accounts.

Employer Payroll Tax Rate

Additionally, the Fiscal Year 2025 employer payroll tax rate has been calculated at 1.62% of gross compensation for regular and contractual employees (salaries expended under AA and CC object codes), based upon the employer share of taxes for Unemployment Insurance, Universal Health Insurance, Medicare, and the Paid Family Medical Leave assessment.

Rate Approval and Effective Date

These fringe and payroll tax rate proposals have been submitted to the U.S. Department of Health and Human Services (U.S. HHS) for approval. Although there is no guarantee that the federal review agency will approve the rates as proposed, the calculation of these rates is consistent with the federally approved methodology used in prior years, and deferral of recoveries is allowable under federal procedures.

The fringe benefit rate will be assessed on all federal grant and other non-budgetary accounts. The payroll tax rate will assess Unemployment, Universal Health, the employer's share of the Medicare insurance and Paid Family Medical Leave assessment to all budgetary and non-budgetary accounts incurring AA and CC salaries. Both rates will take effect beginning with Period 1, BFY2025 (July 2024).

We will notify you of any adjustments due to legislative or other activity and once final approval is received from the federal government.

Questions regarding this memo may be directed to Jessie Zuberek at jessie.zuberek@mass.gov.

Attachment

cc: MMARS Liaisons
Payroll Directors
General Counsels
Internal Distribution

Proposed

COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE COMPTROLLER

PROPOSED FY2025 FRINGE BENEFIT RATE BASED ON FY2023 ACTUAL COSTS FOR ROLL FORWARD

Fringe Benefit and Payroll Tax Rate Summary

	General Employee	Uniformed Employee	Salaries Subject to Assessment
Group Insurance.....	23.35%	23.35%	A01, A07, A09, AA1
Retirement.....	18.63%	38.20%	A01, A07, A09, AA1
Terminal Leave.....	1.45%	1.45%	A01, A07, A09, AA1
Total Fringe Benefit Rate.....	43.43%	63.00%	Applicable to Regular and Uniformed Employees
Unemployment Insurance.....	0.23%	0.23%	AA & CC*
Universal Health Insurance.....	0.08%	0.08%	AA & CC*
Medicare Tax.....	0.88%	0.88%	AA & CC*
Paid Family & Medical Leave	0.43%	0.43%	AA & CC*
Total Payroll Tax Rate.....	1.62%	1.62%	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.