



Commonwealth of Massachusetts

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To: Chief Fiscal Officers

From: Jeffrey S. Shapiro, First Deputy Comptroller

Date: February 14, 2018

Subject: FY2019 Proposed Fringe Benefit and Payroll Tax Rates

Comptroller Memo FY#2019-01

Executive Summary

Under [M.G.L. C. 29, S. 5D](#) and [M.G.L. C. 29, S. 6B](#) the Comptroller is required to recover fringe benefits for non-budgetary funds. In addition, the Comptroller is also required to recover employer payroll taxes for Unemployment Insurance, Universal Health Insurance and Medicare Tax. 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 FY2019.

Fringe Benefit Rate:

The FY2019 fringe benefit rate proposal has been calculated at 35.41% for general employees and 41.66% 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 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 FY2019 employer payroll tax rate has been calculated at 1.73% of gross compensation for regular and contractual employees (salaries expended under AA and CC object codes), based upon the employer share of Unemployment Insurance, Universal Health and Medicare Tax insurance rates.

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.

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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 and the employer's share of the Medicare insurance to all budgetary and non-budgetary accounts incurring AA and CC salaries. Both rates will take effect beginning with Period 01, BFY2019 (July, 2018). These proposed rates have been considered as part of the Governor's House 2 budget proposal.

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

Questions regarding this memo may be directed to Michael Rodino at (617) 973-2304.

[Attachment](#)

cc: MMARS Liaisons
Payroll Directors
General Counsels
Internal Distribution