



# Commonwealth of Massachusetts

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ANDREW W. MAYLOR  
COMPTROLLER

To: Chief Fiscal Officers  
From: Andrew W. Maylor, Comptroller  
Date: January 30, 2020  
Subject: FY2021 Proposed Fringe Benefit and Payroll Tax Rates

Comptroller Memo FY#2021-01

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### 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, 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 FY2021.

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#### Fringe Benefit Rate:

The FY2021 fringe benefit rate proposal has been calculated at 37.03% for general employees and 48.02% 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 FY2021 employer payroll tax rate has been calculated at 1.85% 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 recently implemented (as of October 1, 2019) 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 to all budgetary and non-budgetary accounts incurring AA and CC salaries. Both rates will take effect beginning with Period 01, BFY2021 (July, 2020).

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 Howard Merkwitz at (617) 973-2602.

[Attachment](#)

cc: MMARS Liaisons  
Payroll Directors  
General Counsels  
Internal Distribution