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

Mandatory Payroll Tax Chargebacks for Medicare Policy

Effective: August 15, 2005
Last Updated: November 1, 2006

Executive Summary

There are 3 payroll taxes that the Commonwealth must pay on behalf of employees: employer match for Medicare Tax, Unemployment Insurance (UI) contribution and Universal Health Insurance (UHI) contribution. The Social Security Administration sets the tax rate for Medicare. The rates for UI and UHI are set by Massachusetts Division of Unemployment Assistance, Department of Workforce Development. These employment taxes are calculated and charged to Departments each time a payroll runs on a biweekly basis. Taxes are part of the cost of payroll and each department must budget for these expenses, under the DD object class. At the beginning of each fiscal year, they represent approximately 2 percent of the employee's gross payroll.

Considerations

This policy applies to all Commonwealth Branches and Departments.

Policy

Departmental Chargeback Process

During the annual budgeting process, each department must budget funds to cover the cost of the Department Payroll Tax expenses in all appropriations that will support payroll expenditures throughout the year. If a Department has an appropriation specifically set up for payroll tax chargeback in the General Appropriations Act (GAA), the Office of the Comptroller (CTR) will point the charges toward the designated account.

On a bi-weekly basis CTR will generate an Interdepartmental Chargeback transaction (IET) for each tax (Medicare, UI, and UHI) by account to collect these funds. The IET will be charged to the employees positioned assigned account from HR/CMS. The Departments should review the Mosaic Transaction Catalog on a pay period basis and ensure that all rejected IETs are corrected and brought to a "DONE" status.

Information Sources

Legal Authority

- 815 CMR 6.00
- 26 USC § 3121 (FICA)
- IRC § 3121(b)(10)(A)
- Consolidated Omnibus and Reconciliation Act of 1986 (COBRA), Section 13205
- IRS Revenue Ruling 86-88
- M.G.L. c. 7A §§ 3, 7, 8

- M.G.L. 151A §§ 14(f), 14(g)

Legal Authority

- CTR Solution Desk