Commonwealth of Massachusetts
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William McNamara
Comptroller

M E M O R A N D U M

To: Chief Fiscal Officers
From: Kristin Lacroix, Assistant Comptroller
Date: December 11, 2024
Subject: Approved Fiscal Year 2025 Fringe Benefit and Payroll Tax Rates

Comptroller Memo FY2025-09

Executive Summary

The purpose of this memo is to notify departments of the federally approved fringe benefit and payroll tax rates for Fiscal Year 2025. The U.S. Department of Health and Human Services has approved the fringe benefit rate of 43.44% for general employees and 63.01% for uniformed employees and a payroll tax rate of 1.62%.

Comptroller Memo FY2025-01, dated April 9, 2024, advised departments that fringe benefit rates of 43.43% for general employees and 63.00% for uniformed employees and a payroll tax rate of 1.62% 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 2025. The U.S. Department of Health and Human Services has approved fringe rates of 43.44% for general employees and 63.01% for uniformed employees and a payroll tax rate of 1.62%.

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.

The components of the fringe benefit and payroll tax rates are available on the attached Rate Chart – Fiscal Year 2025 Fringe and Payroll Tax Rates -- Approved.

Please note, the fringe benefit rate is applicable to 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.

The costs associated with terminal leave salaries are allocated through the fringe benefit rate.

Therefore, A12, Sick-Leave Buy Back; A13, Vacation-in-Lieu; and A21, Payments for Deceased Employees object code expenditures may not be claimed as direct costs on federally supported programs whether incurred on federal grants, contracts, or state appropriations subject to federal reimbursement.

The payroll tax rate is applicable to all account types for unemployment, universal health insurance, respectively, and Medicare insurance. The rate is applied to regular and contract employees and is assessed to all AA and CC object codes, except A75, A90, C33, C75, C90, C98 and CC5.

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. 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 Jessie Zuberek at jessie.zuberek@mass.gov.

Enc. Fiscal Year 2025 Fringe Agreement
Rate Chart – Fiscal Year 2025 Fringe and Payroll Tax 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
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October 29, 2024

Kristin Lacroix
Chief Accounting Officer/Assistant Comptroller
Office of the Comptroller
Commonwealth of Massachusetts
One Ashburton Place, 9th Floor
Boston, Massachusetts 02108

Dear Ms. Lacroix:

By email dated March 29, 2024, your office transmitted proposed Fringe Benefit rates to cover the fiscal year ending June 30, 2025. The proposal, based on actual costs for the year ended June 30, 2023, provided for three rates, i.e., 43.43% applicable to all regular employees except "uniformed" employees (justices, police, corrections, and parole officers), and 63.00% applicable to uniformed employees. These rates include the costs for Group Insurance, Retirement, and Terminal Leave. The third rate of 1.62% 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 43.44% (Group Insurance – 23.35%, Retirement – 18.63%, Terminal Leave – 1.46%), and 63.01% (Group Insurance – 23.35%, Retirement – 38.20%, Terminal Leave – 1.46%) for regular and uniformed employees, respectively, and the additional rate of 1.62% (Unemployment Insurance - 0.23%, Employer Medical Assistance Contribution – 0.08%, Medicare Tax – 0.88%, Paid Family and Medical Leave – 0.43%) are approved covering the period July 1, 2024 through June 30, 2025.

Fixed rates for FYE 06/30/2025 for regular and uniformed employees includes combined final carry forward of the following:

Retirement – Regular Employees:	$63,352,942 (Under-Recovery)
Retirement – Uniformed Employees:	$63,658,900 (Under-Recovery)
Group Insurance:	$84,630,122 (Under-Recovery)
Terminal Leave:	$24,834,497 (Under-Recovery)
Medicare Tax:	$19,629,443 (Over-Recovery)
Unemployment Insurance:	$7,008,467 (Under-Recovery)
Employer Medical Assistance Contribution:	$1,009,222 (Under-Recovery)
Paid Family & Medical Leave:	$586,225 (Over-Recovery)

At the request of the Commonwealth of Massachusetts, only a portion of the under-recovery from finalizing Retirement, Group Insurance and Terminal Leave FYE 6/30/2021 rates were

included in the FY2023 rate computation. The deferred amounts were to be included in three equal amounts in the FY2024, FY2025 and FY2026 rate computations. Therefore, the FY2025 rates includes their portion of the deferred amounts. The remaining deferred under-recovery amounts of $4,578,237 for Terminal Leave, $31,037,388 for Group Insurance, $17,774,453 for Retirement – regular employees, and $10,222,790 for Retirement – uniformed employees are to be included in the FY2026 rate computations.

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. Your next proposal based on actual costs for the fiscal year ending June 30, 2024, must be submitted to our office by December 31, 2024.

Your proposal and relevant correspondence should be submitted electronically at the following email address: 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 Amritha Persaud of my office at amritha.persaud@psc.hhs.gov.

Sincerely,

Darryl W. Mayes -S
Digitally signed by Darryl W. Mayes -S
Date: 2024.11.22 07:39:41 -05'00'

Darryl W. Mayes
Deputy Director
Cost Allocation Services

Concurrence:

_____
Signature

Kristin Lacroix
Digitally signed by Kristin Lacroix
Date: 2024.12.03 08:14:07 -05'00'

_____
Name

_____
Title

_____
Date

Approved

COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE COMPTROLLER

APPROVED 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	1.46%	1.46%	A01, A07, A09, AA1
Total Fringe Benefit Rate	**43.44%**	**63.01%**	Applicable to Regular and Uniformed Employees
Unemployment Insurance	0.23%	0.23%	AA & CC*
EMAC Uninversal 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.