

PFML: 2027 Rates & Contribution Structure Change

By RIW on October 8, 2026

Effective January 1, 2027, there will be changes in how Massachusetts Paid Family and Medical Leave ("PFML") employer contributions are allocated between family and medical leave. The change is intended to mitigate the tax consequences arising from recent IRS guidance regarding the federal tax treatment of Massachusetts PFML benefits.

This client alert does not, and is not intended to, provide tax advice—and it is designed to summarize certain changes Massachusetts employers can expect in 2027.

Background

Under the Paid Family and Medical Leave Act ("PFMLA"), certain employers must make PFML contributions into the Department of Family and Medical Leave's ("DFML") trust fund. The trust fund is utilized to pay family and medical leave benefits. Contribution rates are generally established annually for each calendar year and apply to wages earned on or after January 1.^[1]

On January 15, 2025, the IRS issued [Revenue Ruling 2025-4](#), classifying medical leave benefits attributable to employer contributions as taxable wages for federal income tax purposes. In response to that Ruling, on June 12, 2026, Massachusetts Governor Maura Healey signed [Chapter 101 of the Acts of 2026](#) into law—new legislation that eliminates employer contributions toward medical leave benefits and instead allocates employer contributions entirely to family leave. In other words, because employer contributions will no longer fund medical leave benefits, those benefits are not expected to be treated as taxable wages.

Changes Effective January 1, 2027

The changes shifting employer contributions are scheduled to take effect on **January 1, 2027**. According to DFML [guidance](#), for the **2026 calendar year**, employers should plan for the following:

- *Employers with 25 or more employees:* sixty percent (60%) of the medical leave benefits paid to employees will be taxable for federal and state income tax purposes. The taxable amount is based on employer contribution amounts, and the DFML will report that amount on Form 1099-G, which will be issued directly to employees.
- *Employers with fewer than 25 employees:* medical leave benefits paid to employees are not taxable.
- *Family leave benefits:* 100% of family leave benefit payments will be taxable for federal and state income tax purposes. The DFML will report the taxable amount on Form 1099-

G, which will be issued directly to employees.

- *Withholding and reporting:* Employers will not be subject to any new withholding or reporting requirements for PFML benefits.
- *FICA and FUTA:* There will be no changes to employer FICA or FUTA tax responsibility for PFML benefits.
- *Third-party sick pay:* DFML will not treat medical leave benefit payments as "third party sick pay."
- *Employee withholding elections:* Employees may continue to elect federal and state income tax withholding on taxable benefits.

2026 and 2027 Contribution Rates

For calendar years 2026 and 2027, the total **contribution rates** will remain the same: 0.88% of eligible wages for employers with 25 or more covered individuals; and 0.46% of eligible wages for employers with fewer than 25 covered individuals. That said, the allocation of those contributions between family and medical leave will change in 2027. The changes may be viewed [here](#).

Next Steps for Employers

Moving forward, employers should:

- Consult with their tax advisors and payroll providers regarding these changes.
- Refrain from providing an employee with guidance regarding tax-related implications of PFML benefit payments.
- Encourage employees with questions to consult with their tax or financial advisors.

We will continue to monitor PFML-related developments, and employers with questions are encouraged to contact an RIW employment attorney for additional information.

[1] Employers that have a private plan or are self-insured generally do not make PFML contributions.

(This alert is for informational purposes only and may be considered advertising. It does not constitute the rendering of legal, tax, or professional advice or services. You should seek specific, detailed legal advice prior to taking any definitive actions.)

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