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Massachusetts Changes How PFML Contributions Will Be Calculated for 2027

New legislation enacted on June 12, 2026 (Chapter 101 of the Acts of 2026) changes how Massachusetts Paid Family and Medical Leave (PFML) contributions will be allocated beginning January 1, 2027. The law shifts employer contributions from medical leave to family leave in response to recent IRS guidance regarding the tax treatment of PFML benefits.

What Changed?

Employers with fewer than 25 covered individuals

No change. Employers remain responsible for remitting PFML contributions withheld from employee wages but are not required to make an employer contribution. Employers may voluntarily pay some or all of the employee share.

Employers with 25 or more covered individuals

The overall contribution rules remain in place, however the allocation between family and medical leave is changing. Beginning January 1, 2027:

- **Family Leave:** Employers must contribute **60%** of the family leave contribution. Up to **40%** may be withheld from employee wages.
- **Medical Leave:** Up to **100%** of the medical leave contribution may be withheld from employee wages.

Important: The total PFML contribution rate for 2027 has **not** yet been established. DFML will announce the 2027 contribution rate by **October 1, 2026**.

Why the Change?

Recent IRS guidance raised concerns that employer contributions toward **medical leave** could create additional federal tax reporting and payroll administration requirements. In response, Massachusetts changed the PFML contribution structure by shifting employer contributions from medical leave to family leave while maintaining the PFML program.

Bottom Line:
No immediate action is required. However, employers with 25 or more covered individuals should be prepared to update payroll systems and employee contribution deductions once DFML announces the 2027 contribution rate.

If you work with a payroll provider, **CONFIRM THIS FALL** that your payroll system will be updated before the new contribution structure takes effect on January 1, 2027.

HR@Work will continue to monitor DFML guidance and provide updates as additional information becomes available.

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