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MEMORANDUM

To: Chief Fiscal Officers
From: Jeffrey Shapiro, First Deputy Comptroller *JS*
Date: August 25, 2022
Subject: Approved Fiscal Year 2023 Fringe Benefit and Payroll Tax Rates

Comptroller Memo FY2023-06

Executive Summary

The purpose of this memo is to notify departments of the federally approved fringe benefit and payroll tax rates for Fiscal Year 2023. The U.S. Department of Health and Human Services has approved the fringe rate of 39.50% for regular employees and 49.10% for uniformed employees, respectively, and a payroll tax rate of 1.85%.

Comptroller Memo FY2023-01, dated March 16, 2022, advised departments that fringe benefit rates of 40.00% for general employees and 50.00% for uniformed employees and a payroll tax rate of 1.89% 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 2023. The U.S. Department of Health and Human Services has approved fringe rates of 39.50% for general employees and 49.10% for uniformed employees and a payroll tax rate of 1.85%.

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 following components comprise the approved Fiscal Year 2023 fringe benefit rates:

	<u>General Employee</u>	<u>Uniformed Employee</u>
Group Insurance	21.54%	21.54%
Retirement	16.70%	26.30%
Terminal Leave	<u>1.26%</u>	<u>1.26%</u>
Total Fringe Benefit Rate	<u>39.50%</u>	<u>49.10%</u>

Payroll Tax Rate

The following components comprise the approved Fiscal Year 2023 payroll tax and assessments rate:

Unemployment	0.07%
Universal Health	0.04%
Medicare	1.35%
Paid Family and Medical Leave (PFML)	<u>0.39%</u>
Total	1.85%

These rates are applicable for 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 to determine these particular fringe benefit costs.

Because the costs of terminal leave salaries are allocated through the fringe benefit rate, A12, Sick-Leave Buy Back; A13, Vacation-in-Lieu; and A21, Payments for Deceased Employees object code expenditures may not also be claimed as direct costs on federally supported programs whether incurred on Federal grants, contracts or state appropriations subject to Federal reimbursement.

This rate is applicable to all account types pursuant to M.G.L. c. 151A, §§ 14C and 14G for unemployment and universal health insurance, respectively, and M.G.L. c. 7A, §§ 3, 7 and 8 for Medicare insurance. These rates are applied to regular and contract employees and is assessed to all AA and CC object codes with the exception of A75, A90, CC5, C33, C75, C90, and C98.

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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 and both the 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 CTR's Chief Accounting Officer, Kristin Lacroix at kristinm.lacroix@mass.gov.

Enc. Fiscal Year 2023 Fringe Agreement
 Rate Chart – Fiscal Year 2023 Fringe Rates -- Approved

cc: MMARS Liaisons Payroll Directors General Counsels Internal Distribution

