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# CLIENT ALERT: Massachusetts Issues Critical Guidance Regarding Paid Family and Medical Leave in 2026

The Massachusetts Department of Family and Medical Leave (the "Department") recently announced two important updates regarding Paid Family and Medical Leave ("PFML") benefits and contributions in 2026. Both updates require employers to take action to ensure compliance.

First, the Department issued much-anticipated guidance regarding the proper tax treatment of PFML benefits and contributions.

Second, the Department announced the 2026 PFML contribution rates and maximum benefit amount. Updated workplace posters, employee notices, and rate sheets are now available on the Department's website.

**Tax Treatment of PFML Benefits and Contributions**

The Department issued a memorandum explaining the proper tax treatment of PFML benefits paid by the Department. The memorandum addresses the IRS ruling regarding the proper income and employment tax treatment of benefits provided by state-run paid family and medical leave programs. Notably, the IRS ruling and the Department's memorandum do not address the tax treatment of private or self-insured PFML plans.

Family leave PFML benefit payments are considered gross income subject to income taxes. However, they are not considered wages and are not subject to employment taxes. Family leave benefit payments will be reported on a Form 1099-G issued by the Department. Accordingly, family leave PFML benefit payments will not result in additional tax consequences or reporting obligations for employers.

However, medical leave PFML benefit payments will result in additional tax consequences and reporting obligations for employers with 25 or more employees. Because Massachusetts requires employers with at least 25 employees to fund 60% of the medical contribution, 60% of medical leave PFML benefit payments are considered wages that are subject to income and employment taxes and must be reported on an employee's W-2. The remaining 40% of the payments are not taxable, are not wages, and need not be reported on a W-2.

Starting January 1, 2026, the Department will withhold the employee portion of FICA on *taxable* medical leave PFML benefit payments. Employers with 25 or more employees are required to pay the employer portion of FICA and FUTA taxes on these benefits. The Department will report the taxable portion of medical leave PFML benefit payments and taxes withheld to employers via the Department's Employer Portal.

Employers with fewer than 25 employees have no additional tax obligations for medical leave PFML benefit payments. As these smaller employers are not required to contribute to PFML medical benefits, the medical leave PFML benefit payments made to these employees are not subject to income or employment taxes.

Beyond tax obligations related to PFML benefit payments, the memorandum also includes information about the tax implications of PFML contributions. Employers of all sizes must include the employee contribution payments as wages on a W-2. If an employer voluntarily pays an employee's required PFML contribution, i.e., a "pick up" contribution, this payment is also considered wages for the employee and must be reported on a W-2. The required employer contribution, i.e., the PFML contribution required from employers with 25 or more employees, is not considered wages. Helpful tables included in the IRS Ruling outlining the federal tax consequences of PFML contributions and benefits can be found here.

Employers must comply with these obligations starting January 1, 2026. Although the IRS ruling is already in effect, the IRS has stated that calendar year 2025 is a "transition period" intended to provide states and employers time to comply with these rules. As a result, the IRS has stated employers will not be penalized for failing to follow these new withholding and reporting requirements for benefits paid in 2025.

It is critical that employers have access to the Department's Employer Portal to obtain information regarding their share of the applicable taxes and that employers include the taxable portion of PFML benefits on employees' W-2 forms.

**2026 Contribution and Benefit Rates**

The Department recently announced the PFML contribution rates and maximum benefit amounts for 2026.

Effective January 1, 2026, the maximum weekly PFML benefit from the Department will increase to $1,230.39 per week. This is an increase from $1,170.64 per week in 2025.

Similar to last year, the Department has not changed the employer contribution amounts for 2026. For employers with 25 or more employees, the family leave contribution for 2026 remains .18%, and the medical leave contribution remains .70%, for a total of .88%. For employers with fewer than 25 employees, the family leave contribution for 2026 remains .18%, and the medical leave contribution remains .28%, for a total of .46%.

Employers with approved private or self-insured plans are exempt from remitting PFML contributions to the Department. However, they must update their plans to reflect the new maximum benefit amount.

Employers are required to display a workplace poster that explains the PFML benefits available to employees.  Employers are also required to issue new 2026 rate sheets to all employees.  Employers must also inform all new employees about their rights and obligations under the PFML law within 30 days of their start date. Updated workplace posters, rate sheets (both for employers with at least 25 employees and for employers with fewer than 25 employees), and employee notices (both for employers with at least 25 employees and for employers with fewer than 25 employees). The Department's website has additional versions of each document in several different languages.

As you continue to consider the complexities of PFML, do not hesitate to contact your MBJ lawyer. MBJ will continue to monitor developments from the Department.

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