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Client Alert – Employers Take Note: Massachusetts Paid Family and Medical Leave (PFML) Tax Guidance from the Department of Family and Medical Leave

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The Massachusetts Department of Family and Medical Leave (DFML) recently [issued a memo](#) concerning how the implementation of an [IRS Revenue Ruling](#) (Ruling) on the taxation and tax reporting of benefits received under state paid family medical leave programs will impact Massachusetts Paid Family and Medical Leave (PFML).

As we [previously discussed in May 2025](#), the IRS issued long awaited guidance on the [taxation of paid family and medical leave benefits](#). Although the Ruling was effective as of January 1, 2025, it was announced that the calendar year 2025 would be a transition year for administration and enforcement. Beginning on January 1, 2026, employers will be expected to comply with the Ruling. Here is a quick rundown of what you need to know:

FAMILY LEAVE BENEFITS

- Family leave benefits are subject to federal and state income taxes but not federal employment taxes.
- Family leave benefits are includible in federal gross income but not considered wages.
- Family leave benefits will be reported on Form 1099-G issued by DFML.

MEDICAL LEAVE BENEFITS

- Taxability will be determined based, in part, on the employer's workforce size.
- Employers with 25 or more employees are required to pay at least 60% of the medical contribution. Only the benefits attributable to the required employer contribution are subject to federal, state and employment taxes.
- For employers with fewer than 25 employees, employees pay 100% of the medical contribution. Medical leave benefits paid to these employees are not subject to income or employment taxes.
- The taxable portion of medical leave benefits are considered wages and will be subject to the sick pay reporting rules, which means that amounts attributable to employer contributions are includible in federal gross income and are considered wages.
- The Ruling applies to state-run PFML and does not address the tax treatment of private or self-insured PFML plans.

[An overview of information from the DFML regarding PFML tax information can be found here.](#) Employers seeking more information should contact their [Bowditch attorney](#).

