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Client Alert: Massachusetts PFML Contributions to Change in 2027

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Massachusetts employers may see a change in their contribution rates under the state's Paid Family and Medical Leave (PFML) program beginning January 1, 2027. This follows the enactment of **Chapter 101 of the Acts of 2026**, which restructures how employer PFML contributions are allocated between medical leave and family leave, a move designed to address the tax consequences created by recent IRS guidance.

As we discussed in our [prior Client Alert](#), in November of 2025 the Massachusetts Department of Family and Medical Leave (DFML) alerted employers to [IRS Revenue Ruling 2025-4](#), which classified medical leave benefits attributable to employer-paid PFML contributions as taxable wages for federal income tax purposes. This interpretation created new tax withholding, reporting, and payroll administration obligations for employers with PFML contribution obligations.

Recognizing the burden imposed by the IRS ruling, Governor Maura Healey signed Chapter 101 of the Acts of 2026 into law. Rather than requiring employers to comply with the new federal reporting requirements beyond 2026, the legislation changes the underlying PFML contribution structure. Beginning January 1, 2027, employers will no longer contribute towards the medical leave portion of PFML. Instead, employer contributions will be shifted entirely to family leave. Because medical leave benefits will no longer be funded by employer contributions, those benefits will no longer be treated as taxable wages under the IRS guidance.

The change does not impact employers with less than 25 employees whose employees already pay 100% of the medical contribution. This change does not eliminate PFML benefits or reduce employee access to leave. Rather, it reallocates employer contributions in a manner that preserves the program while avoiding the federal tax consequences associated with employer-funded medical leave benefits.

The DFML will announce the new contribution rates on or before October 1, 2026, with the revised rates taking effect on January 1, 2027.

Although employers are not required to take immediate action, they should monitor DFML's announcement of the 2027 contribution rates later this year and coordinate with payroll providers to ensure systems are updated before the new rates become effective. Employers should also continue following existing PFML contribution and reporting requirements throughout the remainder of 2026. Employers seeking more information should [contact their Bowditch attorney](#).