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Massachusetts delays July 1 Payroll Tax effective date for Paid Family and Medical Leave

By Christopher Higgins and Jeffrey Gilbreth

Massachusetts Governor Charlie Baker and legislative leaders have announced an agreement to delay the effective date for the new Massachusetts Paid Family and Medical Leave Act (the “Act”) payroll tax. The delay will push out until October 1, 2019 (from July 1, 2019) the date on which employers must begin collecting a payroll tax associated with the Act from their Massachusetts workforce.

The joint statement from Governor Baker and the legislative leaders explained that the delay is to “ensure businesses have adequate time to implement the state’s Paid Family and Medical Leave program.” This delay will also provide time for the Department of Family and Medical Leave (the “DFML”) to issue further guidance and clarification with respect to various aspects of the Act. Because of this delay, the first tax payment from employers will be due by January 31, 2020, and this payment will be for the tax on all covered wages paid from October 1, 2019, through December 31, 2019. It is anticipated that the payroll tax rate will be increased to 0.75% (from the current 0.63%) when the payroll tax takes effect on October 1, 2019. However, that increased tax rate has not yet been confirmed—it was not part of the announcement from Governor Baker and the legislative leaders.

It is also currently unclear if the current June 30, 2019, deadline for employers to hang workplace posters and send notifications to their MA workforce will also be delayed.

Next Steps

- If an employer has already sent the required notice to their Massachusetts workforce, it should consider sending a brief e-mail or other communication to its MA workforce regarding the delay so workers will know that the tax will not be levied on their first wage payment after July 1 (and instead that the tax will start with their first wage payment after October 1). If an employer has not yet sent the required notice to their employer, we recommend the employer hold off on doing so for a few days until further information is released regarding the potential increased tax rate. All employers should continue to operate as if the June 30 notice deadline is not changing.

- Since this delay will impact most workers' paychecks, employers should inform their workforce of the change.
- Employers should adjust their budgets and work with their payroll provider to ensure all necessary changes are in place.

We will issue additional updates as more information becomes available.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

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