



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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MMARS Policy: Payroll

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Unemployment and Payroll Tax Chargebacks: Mandatory Payroll Tax Chargebacks for Medicare, Unemployment Contribution, and Universal Health Contribution

Executive Summary

Payroll Taxes

There are 3 payroll taxes that the Commonwealth must pay on behalf of employees: employer match for Medicare Tax, Unemployment Insurance (UI) contribution and Universal Health Insurance (UHI) contribution. The Social Security Administration sets the tax rate for Medicare. The rates for UI and UHI are set by Massachusetts Division of Unemployment Assistance, Department of Workforce Development. These employment taxes are calculated and charged to Departments each time a payroll runs on a biweekly basis. Taxes are part of the cost of payroll and each department must budget for these expenses, under the DD object class. At the beginning of each fiscal year they represent approximately 2 percent of the employee's gross payroll.

Considerations

This policy applies to all Commonwealth Branches and Departments.

Policy

Departmental Chargeback Process

During the annual budgeting process, each department must budget funds to cover the cost of the Department Payroll Tax expenses in all appropriations that will support payroll expenditures throughout the year. If a Department has an appropriation specifically set up for payroll tax chargeback in the GAA, CTR will point the charges toward the designated account.

On a bi-weekly basis the Comptroller's Office will generate an Interdepartmental Chargeback document (IET) for each tax (Medicare, UI, and UHI) by account to collect these funds. The IET will be charged to the employees positioned assigned account from HRCMS. The Departments should review the MMARS Document catalog on a pay period basis and ensure that all rejected IET's are corrected and brought to a "DONE" status.

Internal Controls

Information Sources

- Related Procedure – None
- Legal Authority
 - 815 CMR 6.00
 - 26 USC §3121 (FICA)
 - IRC Section 3121(b)(10)(A)
 - Consolidated Omnibus and Reconciliation Act of 1986 (COBRA), Section 13205
 - IRS Revenue Ruling 86-88
 - Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
 - Massachusetts General Laws, Chapter 151A, Sections 14(f) and 14(g)
- Attachments - None
- Links - None
- [Contacts – CTR Help Desk](#)

November 1, 2006 – Removed language referencing Knowledge Center and updated relevant links to Mass.gov/osc portal site.