

Part III – Administrative, Procedural, and Miscellaneous

Extension of Transition Period to Calendar Year 2026 for Certain Requirements in Revenue Ruling 2025-4

Notice 2026-6

SECTION 1. PURPOSE

This notice extends for an additional year the transition period provided in Revenue Ruling 2025-4 for States administering paid family and medical leave (PFML) programs and employers participating in such programs with respect to the portion of medical leave benefits a State pays to an individual that is attributable to employer contributions.

SECTION 2. BACKGROUND

On January 15, 2025, the Department of Treasury (Treasury Department) and the Internal Revenue Service (IRS) issued Revenue Ruling 2025-4, 2025-7 I.R.B. 758, providing guidance on the income and employment tax treatment of contributions and benefits paid in certain situations under a State paid family and medical leave (PFML) statute. Revenue Ruling 2025-4 includes seven separate holdings. Holding (4) concludes, in part, that amounts paid to an employee by a State as medical leave benefits that are attributable to the employer's contribution pursuant to a State's PFML

statute are included in an employee's gross income under § 105¹ except as otherwise provided in that section, are wages for Federal employment tax purposes under §§ 3121(a) and 3306(b), and are third-party payments of sick pay as defined in § 3402(o). Holding (4) also concludes that States must comply with the employment tax and reporting requirements that apply to such payments under § 32.1 and other guidance.

With respect to both the Federal income and employment tax obligations and related information report requirements discussed in holding (4), Revenue Ruling 2025-4 provides that calendar year 2025 is a transition period for purposes of IRS enforcement and administration, intended to provide States and employers time to configure their reporting and other systems and to facilitate an orderly transition to compliance with those rules.²

SECTION 3. DISCUSSION

A number of States with PFML statutes requested that the transition period in Revenue Ruling 2025-4 be extended for an additional year or that the effective date be amended because the required changes cannot occur within the current timeline.

The Treasury Department and the IRS understand that States may need additional time to make the necessary changes to their systems and state budgets to comply with their Federal income tax and employment tax obligations, as well as related information

¹ Unless otherwise specified, all "section" or "§" references are to sections of the Code or the Treasury Regulations.

² Revenue Ruling 2025-4 also includes holding (5), and provides transition relief for calendar year 2025 to employers with respect to an amount an employer voluntarily pays of any part of the employee's otherwise required contribution to a State PFML program (i.e., employer pick-up). This notice does not extend the third component of the transition relief announced in Revenue Ruling 2025-4 to an employer pick-up for calendar year 2026, and consequently, contemplates that employers will treat contribution amounts they voluntarily pay on behalf of their employees to a State PFML program as wages for Federal employment tax purposes under §§ 3121(a), 3306(b), and 3401(a) and report such amounts on the employee's Form W-2, Wage and Tax Statement, in accordance with § 6051.

reporting responsibilities under § 32.1. For this reason, calendar year 2026 will be regarded as an additional transition period for purposes of IRS enforcement and administration with respect to components (1) and (2) of the transition period set forth in Revenue Ruling 2025-4. Accordingly:

(1) For medical leave benefits a State pays to an individual in calendar year 2026, with respect to the portion of the medical leave benefits attributable to employer contributions, (a) a State or an employer is not required to follow the income tax withholding and reporting requirements applicable to third-party sick pay, and (b) consequently, a State or employer will not be liable for any associated penalties under § 6721 for failure to file a correct information return or under § 6722 for failure to furnish a correct payee statement to the payee.

(2) For medical leave benefits a State pays to an individual in calendar year 2026, with respect to the portion of the medical leave benefits attributable to employer contributions, (a) a State or an employer is not required to comply with § 32.1 and related Code sections (as well as similar requirements under § 3306) during the calendar year; (b) a State or an employer is not required to withhold and pay associated taxes; and (c) consequently, a State or employer will not be liable for any associated penalties.

SECTION 4. EFFECTIVE DATE

This notice is effective for medical leave benefits paid from States to individuals during calendar year 2026.

SECTION 5. DRAFTING INFORMATION

The principal author of this notice is the Office of Associate Chief Counsel

(Employee Benefits, Exempt Organizations, and Employment Taxes). For further information regarding this notice, call (202) 317-6798 (not a toll-free call).