



TaxNewsFlash

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Rev. Rul. 2025-4: Guidance for states that have paid family and medical leave programs

The IRS today released [Rev. Rul. 2025-4](#) 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 program, as well as the related reporting requirements.

As explained in a related IRS release—[IR-2025-16](#) (January 26, 2025)—Rev. Rul. 2025-4 responds to requests to clarify the federal tax treatment of state paid leave programs that help pay employees who cannot work because of non-occupational injuries to themselves or family members, as well as sickness and disabilities. The revenue ruling generally provides that:

- Employers can deduct the amount they contribute to mandatory paid family and medical leave programs as a payment of excise tax. Similarly, an employee may deduct the amount they contribute as a payment of income tax, if the employee itemizes deductions, to the extent that the employee's deduction for state income taxes does not exceed the state income tax deduction limitation.
- An employee who receives state paid family leave payments must include those amounts in the employee's gross income. An employee who receives state paid medical leave payments must include the amount attributable to the employer portion of contributions in the employee's gross income. This latter amount also is subject both to the employer's and employee's shares of Social Security and Medicare taxes. The amount attributable to the employee's portion of the contributions is excluded from the employee's gross income, and this amount is not subject to Social Security or Medicare taxes.

In addition, Rev. Rul. 2025-4 provides transition relief to the District of Columbia, states, and employers from certain withholding, payment, and information reporting requirements for state paid medical leave benefits paid made during calendar year 2025.

The IRS is soliciting comments on additional situations and aspects of state paid family and medical leave programs that are not covered in Rev. Rul. 2025-4 electronically via the Federal eRulemaking Portal at <https://www.regulations.gov>.

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