



# LEGAL UPDATE

## IRS Extends Transition Relief for Some PFML Tax Obligations



The IRS has extended transition relief from enforcement of some paid family and medical leave (PFML) state and employer tax obligations under [Revenue Ruling 2025-4](#).

The extension lasts through calendar year 2026 and applies to the portion of medical leave benefits a state pays to an individual that is attributable to employer contributions.

The extension was contained in [IRS Notice 2026-6](#), published Dec. 19, 2025.

### Background: Revenue Ruling 2025-4

Revenue Ruling 2025-4, issued Jan. 15, 2025, addressed the tax treatment of state PFML contributions and benefits. Part of the ruling held that amounts paid to an employee by a state as medical leave benefits attributable to the employer's contribution pursuant to a state's PFML statute:

- Are included in an employee's gross income under IRS Code § 1051;
- 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).

The ruling advised that states and employers must comply with the employment tax and reporting requirements that apply to such payments under § 32.1 and other guidance.

The ruling provided transition relief from enforcement for calendar year 2025.

### Extension of Enforcement Relief

States asked the IRS to extend the enforcement relief under Ruling 2025-4 because they needed extra time to comply with the tax and reporting responsibilities in the ruling.

In response, the IRS issued Notice 2026-6, which extends the enforcement relief for one year for third-party sick pay withholding and reporting requirements and employment tax and reporting requirements for medical leave benefits paid to an employee and attributable to employer contributions under a state PFML program.

As a result of the extension, with respect to these benefits, states and employers will not be penalized for failing to file a correct information return or furnish a correct payee statement, nor will they be required to withhold or pay associated taxes.

The extension does not apply to "employer pickups," which are any portion of an employee's PFML contribution that an employer pays voluntarily. These voluntary payments must be treated as wages for federal employment tax purposes and reported on the employee's Form W-2.

### Employer Takeaway

Notice 2026-6 provides employers with an additional year to comply with some of the tax obligations in Revenue Ruling 2025-4. Employers can take advantage of the time by making any changes needed to bring their processes and systems into compliance by 2027.

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