Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Labor & Workplace Standards Committee

HB 2345

Brief Description: Concerning contributions in the state paid family and medical leave program.

Sponsors: Representatives Schmidt, Berry, Thomas, Ormsby and Reeves; by request of Employment Security Department.

Brief Summary of Bill

- Reallocates certain employer and employee obligations to pay the medical and family leave shares of the premium for the Paid Family and Medical Leave Program.

Hearing Date: 1/14/26

Staff: Kelly Leonard (786-7147).

Background:

The Washington Paid Family and Medical Leave (PFML) Program, which is administered by the Employment Security Department (ESD), provides partial wage replacement benefits to employees on leave for specified family and medical reasons. An eligible employee may access benefits for a qualifying event if the employee worked at least 820 hours during a qualifying year. An eligible employee can access up to 12 weeks of medical leave or family leave benefits, or up to 16 to 18 weeks of combined medical and family leave benefits in a year. An eligible employee may receive benefits up to 90 percent of their wages, subject to a weekly maximum, which is $1,647 for 2026.

The PFML Program is funded through premiums paid by employers and employees. The

---

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

premium is imposed upon each employee's taxable wages up to the Social Security maximum taxable earnings cap, which is $184,500 for 2026. The total premium rate has two components: a family leave share and a medical leave share. The ESD must determine the split between the family and medical shares within the total premium rate based on the percentage of paid claims in each category in the previous year.

The employer and employee obligations for paying the premium for each share is allocated as shown in the below table. Employers may opt to pay additional amounts.

	Employees	**Employers with 50 or more employees**	**Employers with fewer than 50 employees**
Medical Leave Share	45 percent	55 percent	0 percent
Family Leave Share	100 percent	0 percent	0 percent

The total premium rate for combined family leave and medical leave benefits is adjusted annually based on a statutory formula. The total premium for 2026 is 1.13 percent of taxable wages. Based on the split and allocation requirements, 71.43 percent is paid by employees and 28.57 percent is paid by employers, except employers with fewer than 50 employees are not required to pay the premium.

In early 2025, the Internal Revenue Service issued guidance advising states on the taxability of Paid Family and Medical Leave benefits. The guidance treats medical leave as a private insurance program. Effectively, the benefit amounts attributable to employer contributions for medical leave are treated as income subject to federal income taxes and wages subject to federal employment taxes, including Social Security, Medicare, and Federal Unemployment Tax Act (FUTA) taxes. In contrast, the benefit amounts attributable to employer contributions for family leave, if they were to be made, would not be treated as wages subject to federal employment taxes. The entire amount of any family leave benefits are subject to federal income taxes.

Summary of Bill:

The requirement for the ESD to determine the split between the family and medical shares within the total premium rate based on a percentage of paid claims is removed.

The employer and employee obligations for paying the premium for each share is changed as follows:

	Employees	**Employers with 50 or more employees**	**Employers with fewer than 50 employees**
Medical Leave Share	100 percent	0 percent	0 percent

Family Leave Share	40 percent	60 percent	0 percent

Appropriation: None.

Fiscal Note: Requested on January 9, 2026.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.