



Minnesota Paid Family & Medical Leave

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Minnesota's Paid Leave Program

- The Minnesota Paid Leave Law, enacted in May 2023 and updated in May 2024, makes **paid** family and medical leave coverage available to Minnesota workers **beginning 01/01/2026**
- The law provides **job protections and partial wage replacement**, paid by the state or private insurance carrier, to individuals who take leave for a qualifying condition.
- The state paid leave program will be **funded by premiums** made up of contributions from employees and employers.

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Where Does PFML Apply?



Legend:

- Mandatory Paid Family and/or Medical Leave (Future benefits start date in parentheses)
- Voluntary Paid Family and/or Medical Leave (Future benefits start date in parentheses)
- Legislation Pending as of 04/16/2025 - CAN CHANGE DAILY
- Legislation FAILED
- No Activity in 2025

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“Other” Leave Considerations



- Local ordinances where your employees work (including field-based staff, remote/hybrid workers, sales and service roles)
- Coordination with other company-provided leave benefits (PTO, vacation, bereavement, parental leave)
- ❖ **Best Practice: Apply the most generous leave standard that benefits the employee**

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Is My Company Covered by PFML?

PFML covers all employers regardless of size
NO EXEMPTION FOR SMALL EMPLOYERS!

| | |
|--|---|
| Covered Employers | Nearly all Minnesota employers, regardless of business size or number of employees. Include non-profit and government (sans |
| Covered Employees | Includes full-time, part-time, temporary and most seasonal workers. |
| Who is not required to participate? | Independent contractors and self-employed individuals may opt in. Certain seasonal hospitality employees are excluded. |


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Covered Employees

Employees must have earned at least 5.3% of the state average annual wage (SAAW) in the based period (2025)

- MN SAAW 2025 - \$71,344
- **Minimum Earnings in 2025- \$3,781**

Former employees remain eligible for up to 26 weeks following separation, (if they met the earnings threshold)



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Are There Any Exceptions?

Exemptions

- Self-employed individuals
- Federal Government Employees & Employers
- Certain seasonal *hospitality* employees
- Employees covered by the Railway Labor Act



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Benefit Calculation

Max Weekly Benefit Equal to SAWW - \$1,372 **Subject to change annually*

Max Benefit Duration Family & Safe Leave - **12 weeks** within a rolling 12-month period
 Medical Leave - **12 weeks** within a rolling 12-month period
 Combination - **20 weeks** within a rolling 12-month period

Weekly Benefit Calculation

- **90%** of the portion of their weekly wages that is less than or equal to **50%** of the SAWW; **plus**
- **66%** of the portion of their weekly wages that is more than **50%** of the SAWW but less than or equal to **100%** of the SAWW; **plus**
- **55%** of the portion of their weekly wages that is more than **100%** of the state average weekly wage

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Benefit Calculation Examples

| Yearly Wage | Weekly Wage | Weekly Benefit | Wage % |
|-------------|-------------|----------------|--------|
| \$30,000 | \$576.92 | \$520 | 90% |
| \$42,000 | \$807.69 | \$698 | 86% |
| \$78,000 | \$1,500 | \$1,226 | 82% |
| \$130,000 | \$2,500 | \$1,372 | 55% |

WEEKLY BENEFIT PERCENTAGE UP TO 90% ON A SLIDING SCALE

**THESE BENEFITS ARE PRE-TAX*

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Tax Implications **FAMILY** Leave

- Taxable as income
- Not treated as wages
- No employment taxes apply
- Reported on 1099, not W-2



Get advice from your accountant or tax professional

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Tax Implications **MEDICAL** Leave

| COMPONENT | TAXABLE? | WHO PAYS/REPORTS? |
|-----------------------------------|--------------|--|
| 50% (Employer-funded) | Yes – wages | State withholds; employer pays payroll taxes |
| 50% (Employee-funded) | No | Not reported as income |
| Social Security & Medicare (FICA) | Yes (on 50%) | Employee & employer both pay |
| Income tax (state and federal) | Optional | Employee may elect withholding |
| Form W-2 | Yes | Employer includes taxable benefits as wages |
| Form 1099 | No | Not used for medical leave |

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PFML & Union (CBA) Employees

Employers and unions can make their own agreements about leave — as long as they **meet or go beyond** what the PFML law requires.


In simple terms:

- You can negotiate leave benefits and procedures.
- Agreements must follow PFML rules or be more generous.
- You can't offer less than what the law guarantees.
- It's fine to add extra pay, longer leave, or easier processes if both sides agree.

PFML premiums count as part of wages. Any change to pay or deductions **must be negotiated** with the union, not done unilaterally.

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"Premium" Contribution – State Plan



Total Premium Rate (2026)

- 0.88% of taxable wages
- Split equally between employer and employee (0.44% each)
- Employers may choose to pay **more** than their half share, but not less

Small Employer Reduction

Employers with **fewer than 30 employees** *and* average annual wages **below 150% of the State Average Annual Wage (SAAW)** may qualify for a **reduced rate of 0.66% total**

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Small Employer Reduction

< 30
Employees

+

Avg Wage
<\$107,016

YES →

Qualified
for Reduced
Rate
(.66%)*

*Verification & Reporting:


- DEED will confirm eligibility when employers register for PFML or file their first wage report in 2026.
- Employers must provide accurate employee counts and wage data.
- DEED can adjust rates later if an employer's headcount or wages increase beyond the threshold.

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"Premium" Contribution Rates

Private Plan Employers:

- Employers approved for a private PFML plan **do not pay state premiums**
- A **state application fee** applies (\$250-\$1,000 depending on group size)



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Implications of Changing Plans

When can I change plans? Are there any consequences?

You can change your PFML plan at the beginning of any quarter throughout the year

Starting with the state plan

- Switch to a private plan - pay private application fee to the state

Starting with a private plan

- Switch to the state plan - **locked in for 3 years**
- Switch to a different private plan - pay private application fee to the state

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Actual Costs of PFML

- Premiums 0.88% or 0.66% of total payroll
- 50% of premiums can be passed to employees
- Additional employment taxes for benefits paid for family leave
- Additional fees to payroll and other third-party vendors
- Government fees (application for private plan)
- Bottom Line



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Soft Costs of PFML to Employers



- Administration costs time (e.g. managing leaves, communications, policy updates, reporting, training)
- Higher frequency of leaves
- Longer duration of job-protected leave (up to 20 weeks)
- Cannot require use of other time-off
- Effect on production/service: quantity, quality, and productivity implications
- Increased opportunity for employee relations issues

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HR Obligations

- Policies Updates
- Administrative Steps
- Communication
- Integrating MN PFML with other policies (PTO, FMLA, Parental Leave, etc)
- Recordkeeping (including required notices)
- Staffing
- Reporting
- Training



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Key Dates

November 10th, 2025 – Application deadline for equivalent plan

December 1st, 2025 - Employers must notify employees about paid leave benefits by this date

January 1st, 2026 - Premium deductions begin for employees and employees become eligible to take leave

April 30th, 2026 - First quarter premiums are due no later than this date

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Available Resources



- MN State Paid Leave Resources: <https://mn.gov/deed/paidleave>
- Visit IRS guidance: <https://www.irs.gov/pub/irs-drop/rr-25-04.pdf>
- Consult your payroll provider or tax advisor for system setup

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Handout

Minnesota + Federal Leave (Effective 1/1/2026)

| Leave Type | Eligibility | Employee Size | Rate | Use Frequency |
|--------------------------------------|-------------|---------------|------|---------------|
| 160 Hours of Paid Family Leave (PFL) | State | All Employees | 100% | Yes |
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Recommended Employer Action Steps

We recommend the following next steps to help your organization prepare for implementation in 2026:

1. Review and Realign PFL Policies: Review current policies from the employer and the state to prepare and manage your leave utilization and ensure the state benefits align with your existing PFL policies. Consider PFL-related policies, questions, procedures, and application processes. Update your HR or People Plan. Exclude schedules to use the new PFL program or apply for a partner plan (and begin the application process if applicable).
2. Update and Create Leave Policies, Forms, and other employee handbook and have policies to include PFL, coordinate with HR, and other teams, and ensure they are approved.
3. Communicate with Employees: Plan and implement communication to inform employees about their rights, how to request leave, and what to expect.

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Questions?

Thank you!



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