



Minnesota Paid Leave Law

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Get answers to frequently asked questions (FAQs) about the Minnesota Paid Leave law, also known as the Minnesota Paid Family and Medical Leave law.

A new Minnesota law will create a state-administered mandatory paid family and medical leave insurance program beginning Jan. 1, 2026. Minnesota will be the 13th state to launch a statewide paid leave program.

- The program will provide job protections and partial wage replacement per benefit year up to a maximum of 20 weeks for family and medical leave funded through a payroll tax applied to all employers. For each program leave type (broadly categorized as family/caregiving leave and medical leave) an employee can take 12 weeks of leave, up to a combined total of 20 weeks under the program. For more information on the types of leave the law provides for [see Q3](#)).
- The program will be administered by the Minnesota Department of Employment and Economic Development (DEED).

[Read more about the new law](#)

The following frequently asked questions (FAQs) aim to provide information to cities on the new law. The League will update this information as necessary.

Get answers to FAQs regarding the new Minnesota Paid Leave law

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Q20. How does this program impact short-term disability and long-term disability benefits we currently provide to employees? (Updated June 12, 2025)

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Q23. Will the state paid leave/wages that employees receive under the new family and medical leave state program administered by DEED be subject to PERA withholding? (Updated June 12, 2025)

Q24. How will premiums be treated on an employee’s W-2? (Added June 12, 2025)

Q1. Are all cities covered by this new law and when does it become effective?

A1. Yes, all cities are covered, including joint powers entities, however premiums will vary depending on city size. The paid family and medical leave coverage and premiums do not begin until Jan. 1, 2026; however, there are some actions employers should take now to prepare ([see Q8](#)).

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Q2. Which employees are covered by this new law and which are exempted?

A2. Self-employed individuals and contractors are not covered by the law but as of 2025 they can opt into coverage for paid leave benefits beginning on Jan. 1, 2026. All other city employees are likely to be covered.

Minnesota Paid Leave law defines Minnesota employees as:

- Employees who worked 50% or more of the prior year in Minnesota.
- For employees who performed some work in Minnesota but did not work 50% or more of the year in Minnesota or any one state, coverage applies if they live in Minnesota during 50% or more of the calendar year.

As the definition reflects, there is no specific exemption for part-time employees, paid on-call firefighters, or elected officials. However, the city should consult with their city attorney to decide whether these paid on-call firefighters or elected official positions would be considered “employees” of the city for the purpose of this law.

Applicants are ineligible for Minnesota Paid Leave benefits for any portion of a typical workweek for which they are incarcerated or are receiving or have received unemployment insurance benefits.

In 2024, the Legislature added a seasonal employee exception for those “who are employed no more than 150 days during any consecutive 52-week period in **hospitality** by an employer whose average receipts during any six months of the preceding calendar year were not more than 44% of the average receipts for the other six months of year.” While some city golf restaurants may fall under this exception, under the current law and guidance, other nonfood oriented seasonal positions may not fall under this narrow exception. Thus, full time, part time, temporary, and most seasonal workers are covered and subject to Minnesota Paid Leave. DEED is in a rulemaking process and may provide additional guidance.

To receive benefits under this new law, the employee must have wage credits of at least 5.3% of the state’s average annual wage (SAAW) rounded down to the next lower \$100. For 2024, the state reported this threshold at \$3,700.

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Q3. What paid leave benefits will employees receive under this new state plan?

A3. The law provides paid family and medical leave to employees who apply for the benefits and meet eligibility requirements.

The following types of leave qualify under state law are similar to, but not an exact match, to the federal Family and Medical Leave Act (FMLA). Due to the differences between FMLA and Minnesota Paid Leave, an employee may qualify for paid leave, even if they do not qualify for FMLA leave. Employer policies can require that leave taken under paid leave runs concurrently with leave taken for the same purpose under FMLA.

- Bonding after birth, adoption, or foster parenting.
- A “qualifying exigency,” such as a need associated with a military member’s active-duty service or has been notified of an impending call or order to active duty in the Armed Forces.

- Safety leave, which is leave from work because of domestic abuse, sexual assault, or stalking when the leave is associated with seeking medical, victim services, psychological, or legal assistance, as well as relocation due to the event.
- A serious health condition of self or family member.

A family member is defined as:

- A spouse or domestic partner.
- A child, including a biological, adopted, or foster child, a stepchild, a child of a domestic partner, or a child to whom the applicant stands in loco parentis, is a legal guardian, or is a de facto custodian.
- A parent or legal guardian of the applicant.
- A sibling.
- A grandchild.
- A grandparent or spouse's grandparent.
- A son-in-law or daughter-in-law.
- An individual who has a personal relationship with the applicant that creates an expectation and reliance that the applicant care for the individual without compensation, whether or not the applicant and the individual reside together.

Except for benefits for bonding leave, the state law will limit the paid family and medical leave benefits to those certified by a health care provider or designated professional and with a single qualifying event of at least seven days duration, which must be consecutive unless the leave is intermittent ([see Q10 for more information on intermittent leave](#)). This seven-day waiting period is not an unpaid period for Minnesota Paid Leave for leaves due to family care, medical care related to pregnancy, serious health condition, qualifying exigency, or safety leave. For intermittent leave, the initial paid week means seven consecutive, nonconsecutive, or a combination of consecutive and nonconsecutive calendar days from the effective date of leave to be paid retroactively after the applicant has met the seven-day qualifying event in the first benefits payment to the applicant.

Generally, bonding leave must end within 12 months of the birth, adoption, or placement of a foster child. The new law sets out circumstances that allow for exceptions to this rule.

The benefit amount of paid leave is progressive and will vary based on an employee's weekly wages, such that lower-income employees will receive a higher percentage of income with a sliding scale of lower percentages as employees earn more. Generally, employees will receive:

- 90% of the portion of their weekly wages that is less than or equal to 50% of the state's average weekly wage ([the state's average weekly wage is posted by DEED annually](#)), plus:
- 66% of the portion of their weekly wages that is more than 50% of the state average weekly wage but not 100% weekly wage, plus:
- 55% of the portion of their weekly wages that exceed 100% of the state average weekly wage.

Benefits will be capped at 100% of the state average weekly wage.

Benefits will begin the Sunday of the calendar week in which a benefit application is filed.

The total number of weeks that an employee may take benefits in a single benefit year for a serious health condition is the lesser of 12, or 12 weeks minus the number of weeks that the employee received benefits for bonding, safety leave, family care, and qualifying exigency within the same benefit year, for a maximum of 20 weeks.

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Q4. What job protections does this law provide to employees?

A4. An employer cannot retaliate against an employee for requesting or obtaining Minnesota Paid Leave, nor can it obstruct or interfere with an employee applying for the paid leave. An employee must be returned to the same position they held when the leave started, with equivalent benefits, pay, and other terms and conditions of employment.

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Q5. How much will this new program cost and how is it funded?

A5. The program is funded in large part by employer premiums and, in some cases, employee contributions. DEED will collect quarterly electronic premium payments, in the form of a percentage of payroll taxes, from Minnesota employers.

Beginning January 2026, employers will contribute a minimum of 50% of the total premium, though they may choose to pay up to 100% of the premium. Employers may, in some cases, deduct the remainder from employees' pay, up to a maximum 50% of the premium ([refer to Q17](#)), but such cost sharing likely requires negotiation for represented employees. The first payroll deductions begin on Jan. 1, 2026, with premiums due to DEED by April 30, 2026, based on wage detail reported between Jan. 1, 2026, and March 31, 2026.

For reference, initially, Minnesota Paid Leave provided for a 0.7% payroll tax for premiums. On May 13, 2024, an actuarial and consulting firm, Milliman, presented to the state the rate may need to be increased to 0.88% to sufficiently fund the paid leave program. On Feb. 21, 2025, DEED posted on its website, the premium rate for 2026 will be 0.88%. Premiums are capped at the Old-Age, Survivors and Disability Insurance (OASDI) limit (\$176,100 for 2025); the same wage used by the Social Security program. Effective Aug. 1, 2025, there is a cap of 1.1% of taxable wages on the premium rate in the paid leave law. Prior to 2025, this cap was 1.2% but was reduced to 1.1% in the 2025 special session.

DEED includes a [premium calculator](#) on its Minnesota Paid Leave webpage so applicants can better estimate their benefits. Please refer to [Q4](#) for details on taxes.

Going forward, premium rate adjustments will be made by July 31, 2026, and then by July 31 each year thereafter for the following calendar year based on program historical experience and sound actuarial principles so the projected fund balance as a percentage of total program expenditure does not fall below 25%. DEED will contract with a qualified independent actuarial consultant to conduct an actuarial study for this purpose every year.

A [new calculator tool](#) to help employers and individuals estimate costs under paid leave is now on the DEED website.

There are some reductions in cost for employers with fewer than 30 employees.

Small employers

Effective Jan. 1, 2026, a reduced premium rate of 75% of the annual calculated premium rate will be available for small employers with:

- 30 or fewer employees, and
- The city's employees' average employee wage falls under 150% of the statewide average annual wage (SAAW) for the basis period (\$107,016 in 2025).

The state will notify small employers later in 2025 if they qualify for this small employer rate in 2026 (equivalent to .22% of payroll for 2025, compared to the typical large employer minimum rate of .44%).

The employee premium remains the same for both large and small employers at up to 50% of the full premium.

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Q6. Will there be annual cost increases?

A6. The premium plan rate will be calculated annually for the following calendar year based on program historical experience and sound actuarial principles so the projected fund balance as a percentage of total program expenditure does not fall below 25%. DEED will contract with a qualified independent actuarial consultant to conduct an actuarial study for this purpose every year. As outlined in [Q5](#), cities budgeting for 2026 will want to include .88% of taxable wages paid to each employee based on DEED's release of 2026 premium rates. Pursuant to [Q17](#), there may be a cost sharing option on premiums with employees, but such cost sharing likely requires negotiation for represented employees.

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Q7. Is there a “reimbursement employer” public sector option available, similar to unemployment compensation?

A7. There is no option to become a “reimbursement employer” as is the case with unemployment compensation. All city employers are covered by this new law unless they apply for an exemption through an application process to demonstrate they provide employees with an equivalent plan that meets or exceeds the coverage offered through the state. ([see Q14](#)).

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Q8. What is the role of the city in administering this program?

A8. Employers will have essentially three categories of responsibilities under the Minnesota Paid Leave program: (1) notification requirements, including educating and informing employees (2) reporting wages and paying premiums to fund the program and (3) coordinating benefits and leaves during an absence.

- **Notification requirements, including educating and informing employees.** The city must display DEED's uniform workforce poster in a conspicuous place and provide written information provided by DEED to employees about the paid leave program 30 days before

premium collection begins (December 2025), as well as to newly hired employees. [Minnesota Statute, section 268B.26](#) states DEED will provide the model notice for employers. The information will include an explanation of the available benefits provided under the new law, instructions on how to file a claim, and other specified information. Cities will want to ensure they have an employee's written or electronic acknowledgement of receipt of the written notification because they may be asked by the state to prove they notified employees. While thinking through your notification process, ensure you are able to demonstrate the way the employee had been notified in the event an employee refuses to acknowledge receipt. If five or more employees speak a different language as their primary language, notices must be provided in that language if it is made available by DEED.

- **Reporting wages and in 2026, submitting paid leave premiums.** Much like unemployment compensation, employers are required to submit quarterly wage detail reports, including the total wages paid to an employee and the total number of paid hours worked. While the first premiums are not due until 2026, the good news is wage detail reporting is already underway with the first reports due beginning back on Oct. 31, 2024. When cities submitted their typical wage detail for July through September 2024 in October 2024, the city was meeting BOTH their unemployment insurance (UI) and Minnesota Paid Leave wage reporting requirements for many positions. Employees whom cities do not report for UI, like elected officials or election judges, will need to be kept separate from those that are covered by UI, but submitted by establishing a "Paid Leave Only" account through another process as [outlined on the Minnesota UI webpage](#). There are fees associated with late reporting, but DEED can cancel the fee if the report is submitted within 30 calendar days after DEED issues notice. There are also fees for reports with missing or erroneous information.
- **Coordinating benefits and leaves during an absence.** The 2024 legislative session classified Minnesota Paid Leave data as private, pursuant to some exceptions for exchanging information with certain state and federal agencies, employers and health care providers. Thus, cities will want to begin thinking through processes to ensure reports and submittals for Minnesota Paid Leave are retained in a secured manner. Also see [Q22](#).

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Q9. How will we find out if an employee has applied for this benefit and been approved?

A9. DEED guidance suggests employees cannot apply for Minnesota Paid Leave until they first notify their employer. Per statute, DEED is required to notify all employers from which the applicant is taking leave, either in writing or electronically, not more than five business days after a claim for benefits has been filed by the employee or former employee.

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Q10. How does intermittent leave work?

A10. Generally, any leave under the law is eligible for intermittent. All intermittent leaves will result in a prorated benefit. Intermittent leave counts toward the maximum leave allowed by the law.

An employee taking leave on an intermittent schedule must provide the employer with a schedule of the needed workdays off as soon as practicable, taking into account all circumstances.

Employees can use intermittent leave in increments the city allows for other forms of leave, as long as the city's policy permits a minimum increment of at most one calendar day. An applicant may not apply for payment of intermittent Minnesota Paid Leave until the applicant has accumulated eight hours of leave, unless more than 30 calendar days have passed since the initial taking of leave.

Employers must provide a minimum of 480 hours of intermittent leave in any 12-month period for qualifying leave. Although not required, employers can choose to provide the total amount of leave available under Minnesota Paid Leave as intermittent leave. If an employer limits the hours of intermittent leave to 480 hours, the employee is entitled to take the remaining leave continuously, provided the leave does not exceed the maximum 20-weeks in a single benefit year.

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Q11. Can the employer require proof of the need for the leave?

A11. The employer can require an employee to provide a copy of the certification required by DEED to apply for the benefits. The certification required depends upon the type of leave requested but generally will substantiate the need for the leave and where applicable, the duration and timing of the leave.

Examples of required documentation employees will submit to DEED include the following:

- For **medical leave**, a health care provider will need to complete a certification form that demonstrated the employee's serious health care condition prevents the employee from performing their regular job and the amount of time needed.
- For **caring leave**, for an employee to care for their family member, their family member's health care provider will need to complete a certification form that demonstrates that the employee's care is medically necessary, and the amount of time needed.
- For **bonding leave**, the employee will need documentation completed by a health care professional, adoption agency, or foster care agency that demonstrates the child has arrived or been placed in the employee's home.
- For **military family leave**, the employee will need a copy of the active duty orders or other official military document showing their family member is about to be deployed for duty.
- For **safety leave**, the employee will need documentation that includes proof of the need for leave. This could include a letter from a qualified professional (such as a domestic violence advocate, counselor, or attorney), a police report, restraining order, or other court order. This document does not require detailed information about what happened, only that safety leave is required.

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Q12. Does this run concurrently with federal and state family and medical leave programs?

A12. Yes. The law specifically states an employer may require this leave to run concurrently with the federal Family and Medical Leave Act or the leave required under [Minnesota Statutes, section 181.941](#) when the leave is taken for the same purpose. Cities must follow both laws

when both apply to the employment situation; they must ensure the employee is receiving the highest level of benefits available under both laws when both apply.

Based on unofficial guidance the League received from DEED in fall 2024, in instances where the employee first takes an unpaid FMLA leave and then subsequently applies for Minnesota Paid Leave as a result of the same condition, employers may designate the FMLA time as qualified leave under 268B. Although an eligibility determination is reserved for the state to decide in response to an application for Minnesota Paid Leave program benefits, this designation may reduce the amount of leave available to the employee through the Minnesota Paid Leave program.

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Q13. How does this new law interact with the new law on earned sick and safe time (ESST)?

A13. In general, ESST is meant to cover employees in situations such as a brief illness, when they have sick children who cannot attend daycare, etc. ESST is also administered by the employer, so there is no requirement to get approval from DEED or, in many cases, a medical professional, for less than two consecutive business days. However, generally speaking, ESST can be used by employees in place of, or in addition to Minnesota Paid Leave, in different situations.

The Minnesota Paid Leave program, in contrast, is for long-term extended leave, and requires DEED approval based on necessity and eligibility. It is intended to cover more extreme accidents or illnesses, maternity/paternity leave, qualified exigency leave, safety leave, or care for a family member.

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Q14. How can the city apply for an exemption from this program — i.e., establish a “private plan?”

A14. Employers may apply for approval to be exempted from the state plan by providing a “private plan,” which offers at least the same rights, protections, and benefits as employees are entitled to receive under the state plan. Employers who wish to provide an equivalent plan to their workforce will have the option to either purchase a plan from a private carrier or create their own self-insured plan. Employers can apply to be exempted from the medical benefit program only, or the family benefit program only, or both. Employers with an approved private plan are not subject to the program premium cost (see Q5), however, they will need to pay an oversight fee and possibly a surety bond depending on the plan.

[Learn more about the State’s application for equivalent plans.](#)

Later in 2025, employers can apply to have an equivalent plan recognized to meet at least the minimum requirements of Minnesota Paid Leave, and applications will be accepted on an ongoing basis. Equivalent plans will require a surety bond and are subject to approval by the Minnesota Department of Commerce. The Minnesota Department of Commerce will also be certifying qualifying plans offered by licensed insurance carriers, so employers who purchase these plans will know they meet the requirements of Minnesota Paid Leave.

[View the Minnesota Department of Commerce equivalent medical leave plan checklist.](#)

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Q15. Can the city require employees to use other paid leave to supplement the Minnesota Paid Leave program benefits?

A15. No. The law explicitly states that employers cannot require employees use their accrued paid time off to supplement any benefits they receive from the Minnesota Paid Leave program. However, the law allows, but does not require, the city to supplement the payments available under this program by allowing the employee to use paid leave in addition to the paid benefits available under the new program. Recall in Q3, the Minnesota Paid Leave benefit is progressive and varies based on an employee's weekly wages. A city allowing employees to use supplemental benefits (such as sick leave, vacation, PTO and short-term disability) to "top off" Minnesota Paid Leave payments provides employees with the opportunity to be made "whole" in many cases through much of their leave period, and simultaneously draws down accrued leave liabilities for a city. That said, an employee's supplemental benefits combined with Minnesota Paid Leave may not exceed the employees' pre-leave wages. For additional information on short-term disability/long-term disability impacts, refer to Q20. The city should consult with the city attorney to determine if there are other policies, collective bargaining agreements, or state or federal laws that might require or prohibit this. Also see Q17.

In some cases, if an employer provides an employee wage replacement during an absence, and the total of Minnesota Paid Leave benefits and any supplemental benefits exceed the employee's usual salary, the employee must refund the excess to either the employer or DEED. If an employer provides wage replacement benefits to an employee for a week that should have been paid by DEED, then DEED may reimburse the employer directly.

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Q16. Can the city require the employee to use city leave first before accessing this program?

A16. No. The city cannot require the employee to use paid leave first before applying for benefits under this new program. However, an employee can choose to use vacation, sick, or paid time off, or disability insurance payments in lieu of the state paid leave program. During the period of time the employee is using city paid leaves instead of the Minnesota Paid Leave program, they are entitled to the employment protections of the law.

If the city runs FMLA concurrently with paid leave under this program, that time would likely reduce the amount of leave available to the employee under the state's paid leave benefits, although the state is ultimately responsible for making an eligibility determination decision. In response to an application for benefits under the Minnesota Paid Leave program, the state is responsible for issuing an eligibility determination regarding the amount of benefits available to the applicant. Cities must exercise caution to not interfere with or retaliate against an employee for exercising their rights under the Minnesota Paid Leave law.

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Q17. How will this impact collective bargaining agreements (CBAs)?

A17. The law does not preclude employers from bargaining with unions with respect to leave benefits and related procedures and employee protections, as long as they meet or exceed, and do not otherwise conflict with, the minimum standards and requirements in the law. Many

labor experts state there is a negotiation obligation to establish a 50% employer / 50% employee premium split for represented employees.

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Q18. What if the employee is using workers' compensation benefits or receiving severance benefits; can they use this leave in addition to that?

A18. It depends; an applicant is not eligible to receive benefits for any portion of a week in which the applicant is receiving or has received compensation for loss of wages equal to or in excess of the applicant's weekly family or medical leave benefit amount under:

- The Minnesota workers' compensation law.
- The workers' compensation law of any other state or similar federal law.

Generally, if the amount of workers' compensation for any week is less than the applicant's weekly family or medical leave benefit amount, benefits requested for that week are reduced by the amount of that compensation payment.

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Q19. Does the city have to continue its contribution to health insurance while an employee is on this leave?

A19. Yes. Like the federal Family and Medical Leave Act, this law requires the employer to maintain health insurance coverage as if the employee was not on leave. The employee must continue to pay their share of the cost.

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Q20. How does this program impact short-term disability and long-term disability benefits we currently provide to employees?

A20. An employee may receive disability insurance payments in addition to Minnesota Paid Leave benefits, provided the employee is eligible for both benefits at the same time. Disability insurance benefits may be offset by family and medical leave benefits paid to the employee pursuant to the terms of a disability insurance policy. Minnesota Paid Leave will be the primary in most circumstances, so short-term disability claims may be offset by Minnesota Paid Leave benefits.

Cities will want to discuss how their own short-term disability plan will be impacted by Minnesota Paid Leave with their carriers for 2026. Some carriers highlight a short-term disability plan may be especially attractive to higher wage earners, again due to the progressive nature of the Minnesota Paid Leave plan that provides greater benefits to lower wage earners (refer to Q3).

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Q21. What if we allow the employee to supplement the benefit by taking paid leave in addition to the leave under this program; can the employee exceed their normal wages?

A21. No, an employee cannot make more not working than they would actively working. Employers may designate certain benefits as a supplemental benefit, including but not limited to salary continuation, vacation leave, sick leave, or other paid time off. Payments designated as “supplemental benefits” can make up the difference between partial and full wage replacement. Even if supplemental benefits are offered, the choice to receive supplemental benefits lies with the employee. However, Minnesota Paid Leave law specifically prohibits a situation where a supplemental benefit payment combined with any leave benefit under this program exceeds the regular wage or salary of the employee.

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Q22. What should our city do to prepare for this new law, now and in preparation for Jan. 1, 2026?

A22. Action areas cities may want to begin considering in preparation for the new law include:

- **Review how employees’ accrued leave benefits will interact with the Minnesota Paid Leave plan.** The League is currently developing tools to help cities work through how common existing leaves may work with Minnesota Paid Leave absences, especially for cities considering permitting employees to “topping off” Minnesota Paid Leave benefits with other benefits such as accrued leave. Begin working on personnel policy updates for nonunion employees regarding paid leave policies and other aspects of this program. Part of this review may include the following strategic planning questions:
 - Will the city pay 50% of the premium or more? Refer to [Q5](#) and [Q17](#).
 - Review your time and attendance procedures. Cities can require employees to follow city notification policies for their leave, but those notifications must be outlined in policy and compliant with the Minnesota Paid Leave law.
 - Think through whether your city wishes to allow employees to use other benefits like short-term disability, long-term disability, and accrued city leave to top off/make their salary “whole.” Refer to [Q15](#) and [Q20](#) to review offsets with your short-term disability or long-term disability carriers.
 - Review city policies to determine the minimum increment of time you will allow workers to take leave (i.e., 30 minutes, one hour, a half day, a full day?).
 - Be familiar with [ADA](#) and [MHRA](#) laws to be aware how reasonable accommodations can come into play once an employee’s Minnesota Paid Leave expires. Cities can reach out to the League to learn more.
- **Determine a paid leave administrator**, especially with respect to logging into the state’s portal for Minnesota Paid Leave administration. Per DEED, the paid leave administrator is the point of contact who will:
 - Manage the city’s account with paid leave.
 - Review applications submitted by employees.

- Coordinate paid leave with other city benefits.
- **Budget impact in fiscal year 2025** for the premiums beginning on Jan. 1, 2026.
- **Bargaining with unions** with multiple year contracts, especially for employee cost sharing of premiums, and if the city wishes to establish a private plan or come to agreement on how to handle other aspects of the law.
- **Consult with providers** and prepare payroll and other computer systems for any additional tracking required to report to DEED under the new law.
- **Outline an internal communication plan to employees**, which should include posting the required DEED poster and providing the required detailed information about the program to employees. See Q8.

Prepare to implement wage theft notification requirement changes, effective Jan. 1, 2026, by beginning to follow the new requirements added for keeping statements for three years and preparing to include payroll systems for reporting premium employee deductions and contributions by the employer on wage statements.

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Q23. Will the state paid leave/wages that employees receive under the new family and medical leave state program administered by DEED be subject to PERA withholding?

A23: Per PERA, state paid family and medical leave program payments are not eligible salary for PERA contributions or service credit. However, employer-paid leave, including sick and vacation, used to supplement paid family and medical leave is eligible salary for PERA contributions and reporting provided the employee is on *medical leave* and the employer-paid leave represents **at least 50%** of the average earnings that the person had received during the first six-months immediately prior to the medical leave. On the other hand, if the employee's medical leave paid time off is less than one-half of the average earnings the individual received in the six months of covered employment prior to the leave, then the pay is not eligible salary for pension purposes and may not be reported to PERA. PERA members may purchase salary and service credit lost during a period of authorized leave. Keep in mind, cities are required to complete an annual leave report listing authorized leaves taken during the prior year that resulted in any unpaid time. Refer to [Chapter 5 of the PERA Employer Manual \(pdf\)](#) pages 5-9 through 5-10.

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Q24. How will premiums be treated on an employee's W-2?

A24: On Jan. 15, 2025, the Internal Revenue Service (IRS) issued [Revenue Ruling 2025-4](#), which explains how the federal government will approach income taxes for premiums and benefits received from a program like Minnesota Paid Leave. Minnesota follows federal law to determine when income is included or excluded from a taxpayer's gross income. This means Minnesota will generally conform to the IRS conclusions about federal gross income.

For cities paying the minimum employer contribution (i.e., generally in 2026, .44 % of the total premium rate of .88%) and collect premiums from employees, the employee portion of the

contribution should be included on the employee's W-2 and does not reduce federal or state taxable wages.

If a city chooses to pay more than the required minimum share of the premium (i.e., generally in 2026 more than .44% of the total premium rate of .88%), this is additional compensation to the employee and is included in the employee's federal gross income as wages.

Medical leave benefits will be treated two different ways for federal tax purposes. Half of the benefit (the amount attributable to the employer contribution) will be treated as wages. The remaining half (the portion attributable to the employee contribution) are excluded from the employee's federal gross income and are not taxable. As the [state outlines](#), the share of medical leave benefits the state will pay Minnesota Paid Leave applicants counting as wages will be treated as third-party sick pay, as described by the [IRS in Notice 2015-16](#). For medical leave benefits, the state will provide information to the city on a frequent basis so the city can pay their portion of Social Security and Medicare taxes. Again, cities will include these payments as wages on the Form W-2 issued to employees.

When employees apply for paid leave, they will have the option to withhold state and federal taxes from their weekly benefit. If an employee chooses this option, Minnesota Paid Leave will withhold 5% for state taxes and 10% for federal taxes.

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Your LMC Resource

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