PAID FAMILY AND MEDICAL LEAVE

OVERVIEW

Starting January 1, 2026, Minnesota will launch a new statewide Paid Family and Medical Leave (PFML) program that provides workers with paid time off to care for themselves or loved ones during major life events. This includes leave for personal or family illness, bonding with a new child, safety concerns, and certain military-related events. Funded through a payroll tax shared by employers and employees. For individuals, this means greater financial security during critical times. For businesses, it introduces new payroll requirements, reporting obligations, and workforce planning considerations.

INDIVIDUALS

- Leave Amounts:
  - Up to 12 weeks of medical leave for your own health conditions
  - Up to 12 weeks of family, bonding, or safety leave
  - Maximum of 20 weeks total per year
- Covered Situations include:
  - Caring for a seriously ill loved one
  - Bonding with a new child (birth, adoption, foster care)
  - Dealing with domestic violence, sexual assault, or stalking
  - Certain military-related family events
- Wage Replacement
  - Partial pay during your leave through a state-run insurance
  - Percentage based on weekly pay compared to state average
- Who's Eligible:
  - Most Minnesota employees, including part-time/seasonal workers
  - Self-employed individuals/independent contractors can opt in
- Required Documentation:
  - You must submit proof, such as medical certification or legal documentation, depending on your type of leave

BUSINESS

- Funding:
  - Paid through a payroll tax (initially 0.88% of wages)
  - Tax can be split 50/50 between employer and employee
  - Small businesses (fewer than 30 employees) may qualify for reduced employer costs
- Quarterly Reporting & Payments:
  - Employers must report employee wages and pay premiums quarterly
  - Reporting and payments will be made through the Minnesota Unemployment Insurance (UI) website
- Employer Responsibilities:
  - Withhold employee contributions and submit along with employer share
  - Maintain payroll records and compliance documentation
  - Post a state-provided notice in the workplace to inform employees of their rights
- Alternative Option:
  - Employers may apply to offer a private plan that meets or exceeds the state requirements, subject to state approval

WINTERS MEIER & LARSON, LLC
Accounting & Tax

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Dear Client,

We're reaching out to keep you informed about an important change that will soon affect both Minnesota employers and employees: the Minnesota Paid Family and Medical Leave (PFML) program. We feel it's essential that you are aware of the key details of this new program and how it may impact your payroll processes, benefits, and workforce planning starting in 2026.

This new state-run program will offer eligible workers access to paid time off for personal and family-related medical needs—such as recovering from a serious illness, bonding with a new child, or caring for a loved one—while introducing new reporting and payroll requirements for employers. Benefits begin January 1, 2026, although there are steps you'll need to take now to prepare for compliance, budgeting, and employee communication.

Our goal with this letter is to provide you with an overview of what the law includes and what it means for you—whether you're a business owner managing payroll and staffing, or individual planning for future family or medical leave. We encourage you to review this information carefully and contact us with any questions.

This summary is intended to provide a general overview of the Minnesota Paid Family and Medical Leave (PFML) program and highlights key information for planning purposes. It does not include all details of the law, and specific requirements may vary based on your individual or business circumstances.

We're here to help guide you through the transition and answer any questions you may have.

Sincerely,

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INDIVIDUALS:

Eligibility:

Most people who work in Minnesota—whether full-time, part-time, seasonal, or holding multiple jobs—are likely eligible for Paid Family and Medical Leave beginning in 2026. To qualify, you must have earned at least 5.3% of the state's average annual wage (about $3,700) in the past year and perform at least 50% of your work in Minnesota. Your job is protected during leave if you've been with your employer for at least 90 days. Paid Leave covers a wide range of work types, including temporary, hourly, and part-time positions. Self-employed individuals and independent contractors can opt in to receive benefits by applying for voluntary coverage and paying into the program. Most Minnesota employers are required to participate, and they cannot deny leave or prevent your return to work if you meet eligibility requirements. If your employer uses an approved private plan instead of the state program, you still have the same rights and protections. Not everyone will qualify—such as those with only unreported income or those who haven't met the earnings threshold—but individuals can apply and receive a determination from the state.

Payments and Time Off:

Under Minnesota's Paid Family and Medical Leave program, eligible workers can take up to 20 weeks of paid leave per year, including up to 12 weeks for their own medical needs and 12 weeks for family, bonding, or safety-related reasons. Medical leave may be used for serious health conditions such as illness, injury, surgery, pregnancy, childbirth, or recovery. Family leave covers time off to bond with a new child (through birth, adoption, or foster placement), care for a seriously ill family member, support a military family member called to active duty, or address personal safety issues such as domestic violence, sexual assault, or stalking. Leave can be taken all at once or in smaller blocks—such as weekly treatments or intermittent absences for chronic conditions. During leave, workers receive partial wage replacement based on their income: 90% of wages up to $711.50, 66% between $711.50 and $1,423, and 55% above $1,423, with a maximum benefit of $1,423 per week. To qualify, individuals must have earned at least 5.3% of the state's average annual wage (about $3,900) in the previous year. Your benefit year begins on the first day you take Paid Leave.

EMPLOYERS:

Responsibilities:

Starting in January 2026, employers must report employee wages and submit Paid Leave premiums quarterly through the same online system used for Unemployment Insurance (UI). In preparation, employers will need to designate a Paid Leave Administrator who will be responsible for managing the employer's Paid Leave account, tracking leave, and coordinating benefits with existing time-off policies. By December 1, 2025, all employers must notify employees of their Paid Leave rights in writing and display a workplace poster in English and any language spoken by five or more employees—resources for these requirements will be provided by the state.

Employer Accounts:

To comply with Minnesota's Paid Family and Medical Leave program, employers must have both a Unemployment Insurance (UI) account and a Minnesota Paid Leave Administrator account. These accounts will allow employers to report employee wages, pay quarterly premiums, review employee leave applications, and manage other administrative tasks. The UI system, which most employers already use, will serve as the platform for reporting wage data and submitting Paid Leave premiums beginning in April 2026. Employers will also use their UI account to designate one or more Paid Leave Administrators, who will serve as the primary contacts for managing the Paid Leave program within their organization. Once designated, administrators will receive an email invitation to create a Paid Leave Administrator account through the state's Paid Leave website. This account enables them to access leave applications, view benefit determinations, and request Equivalent Plan Substitutions if applicable. Employers who do not currently use UI for all employees may need to create a new UI account for proper reporting and premium submission. These two coordinated systems are designed to streamline employer responsibilities and support workers during significant life events.

Rates and Contributions:

Minnesota's Paid Family and Medical Leave (PFML) program will be funded through premiums shared by employers and employees, similar to unemployment insurance. Starting January 1, 2026, the total premium rate will be 0.88% of employee wages, split evenly between employers and employees (0.44% each). Employers may choose to cover more—or even all—of the employee's share. For small employers (those with 30 or fewer employees), the employer portion is reduced to 0.22%, though the employee contribution remains the same. Premiums will be collected quarterly via the employer's existing Unemployment Insurance (UI) system, with the first payment due by April 30, 2026. These premiums will fund partial wage replacement for eligible leave, including medical leave (0.61%) and family leave (0.27%). Employers can begin deducting the employee portion from paychecks starting January 1, 2026. Premiums only apply to wages up to the Social Security OASDI cap. The premium rate will be reviewed annually and may be adjusted each year (but cannot exceed 1.2%). A premium calculator is available on the Paid Leave website to help employers estimate their costs.

Alternative Plans:

Employers have the option to meet their obligations under Minnesota's Paid Family and Medical Leave program by offering an Equivalent Plan—either through a private insurance carrier or as a self-insured plan. These plans must provide benefits that are equal to or greater than those offered by the state plan, and cannot cost employees more than what they would pay under the state program. Equivalent Plans must also include the same job protections. Employers approved for an Equivalent Plan are exempt from paying state premiums but are still required to submit quarterly wage detail reports and provide proper notification to employees about their leave coverage. This option may be beneficial for employers who already offer robust paid leave benefits and wish to continue managing leave in-house or through an insurer.