Minnesota Amends Sick Leave, Paid Family and Medical Leave

Minnesota has enacted the 2024 Transportation, Housing and Labor Omnibus Budget Bill, which makes numerous changes to the state's earned sick and safe time (ESST) and paid leave laws. The paid leave law created a paid family and medical leave (PFML) insurance program that takes effect Jan. 1, 2026.

Earned Sick and Safe Time Amendments

The Minnesota ESST mandate took effect in January 2024 and requires most employers to provide up to 48 hours of paid sick and safe leave to eligible employees. The amendments in the new bill affect many parts of the law, but especially pertinent to employers is the requirement that employers provide written or electronic information at the end of each pay period, stating each employee's available and used amounts of ESST. Employers must use a "reasonable system" to convey the information, such as a pay stub or an electronic system employees have access to during working hours and can review and print from. The records must be kept for three years.

Also of interest is a provision in the bill that imposes liability on employers that fail to allow leave for the amount of leave that should have been permitted, plus an equal amount as liquidated damages. Other key changes in the bill include:

- Clarifying leave compensation rates for workers with multiple hourly rates and workers paid on commission or by piece work;
- Requiring that payout of unused accrued leave at the end of the year be of at least minimum wage to avoid carryover;
- Adding bereavement as a permitted reason to use ESST; and
- Allowing employers to provide leave in the smallest increment of time for which employees are paid (instead of the smallest increment tracked by the payroll system), as long as that increment is no longer than four hours. Employers are no longer required to provide leave in increments smaller than 15 minutes.

The ESST changes took effect immediately upon passage.

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Highlights

Changes to Minnesota ESST
An omnibus budget bill made extensive amendments to ESST, including new recordkeeping requirements and employer liability and bereavement leave provisions.

Changes to Minnesota PFML
The bill also contained many amendments to the state's PFML program, which is set to take effect Jan. 1, 2026.

The amendments establish eligibility requirements for discounted PFML rates for small employers.

Paid Family and Medical Leave Amendments

Minnesota's PFML insurance program will be funded by employer and employee contributions that start Jan. 1, 2026, the date PFML benefits begin. The new bill made extensive amendments to the PFML program, including permitting the state to adjust the annual contribution rate by Jan. 1, 2026, and requiring a rate adjustment by July 31, 2026, and annually thereafter by July 31. Small employers will be especially interested in the provisions addressing the reduced premium rate for employers with:

- Thirty or fewer employees; and
- An average wage of 150% or less of the state average wage.

These employers are eligible for a rate of 75% of the regular rate. Also important to small businesses are amendments relating to small employer assistance grants, which now have the same limits for eligibility as the reduced premium—no more than 30 employees and an average wage of no more than 150% of the state average wage (changed from less than $3,000,000 in gross annual revenues).

More generally, the bill expanded the definition of "covered individuals" to include self-employed workers and independent contractors who opt into the program, and it added children of domestic partners to the definition of "child." Other significant changes to the paid leave law include:

- Authorized representatives of the covered individual will be allowed to apply for PFML on their behalf;
- Clarification of "covered employment" when some of the employment is performed outside Minnesota;
- The first week of leave will be paid;
- The Minnesota Department of Employment and Economic Development will notify all employers from which an applicant is taking leave within five business days of the employee's claim for benefits;
- The state may reimburse employers that provide wage replacement that should be provided by PFML; and
- Employees may receive disability insurance payments in addition to PFML, and 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.

On the subject of intermittent leave, the bill states that it must be taken in increments consistent with the employer's policy for other forms of leave, as long as the minimum increment does not exceed one calendar day. Furthermore, applicants must have accrued eight hours of leave before applying for intermittent leave. The bill also includes a lengthy section establishing procedures for appeals, and it addresses private plans. Notably, the amendments state that an employer's private plan must cover former employees until the individual is hired by a new employer or 26 weeks pass. In addition, private plans may not cut off eligibility for a former employee during the course of an approved leave.

More Information

The Paid Leave Division of the Department of Employment and Economic Development has updated its FAQs on the PFML program, which are maintained with other information and resources on the division's website. The Michigan Department of Labor and Industry maintains a webpage about ESST.