

S.F. No. 1780 – Tax credits for parental leave (as proposed to be amended by the A-3 amendment)

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Section 1. Tax credits for parental leave.

Subd. 1. Employer tax credit for paid leave. Allows a tax credit for employers equal to 25 percent of the wages paid to qualifying employees during a period when the employee is on parental leave, up to six weeks. The credit is limited to the lesser of \$3,000 per employee, or 25 percent of the hourly wage paid multiplied by the number of hours for which parental leave is taken. Wages must be prorated to an hourly basis for employees who are not paid on an hourly basis.

Subd. 2. Employee tax credit. Allows a tax credit for employees equal to 25 percent of forgone wages during the period of unpaid parental leave. “Forgone wages” means the number of weeks of unpaid leave taken, multiplied by the lesser of:

- the greater of the total wages received by the eligible employee in the immediately preceding taxable year or the current taxable year, divided by 52; or
- \$1,000 multiplied by the index value for the county in which the eligible employee resides while taking unpaid leave.

The commissioner must determine the index value using the weekly rate for the 75th percentile of infants for the most recent child care market rate survey prepared by the commissioner of human services that is available by July 15 of the calendar year in which the taxable year begins. The commissioner must publish the index values by county on the department’s website and in tax return and form instructions.

Subd. 3. Definitions. Defines terms relevant to the credit. In pertinent part:

“**Eligible employee**” means an employee who is not employed by a qualifying employer claiming the credit; takes at least one week of unpaid leave during the

taxable year; and was a full-time employee for a minimum of nine out of the 12 months preceding the start date of unpaid leave.

“Parental leave” means leave for the birth of a child of the employee or the placement of a child with the employee for adoption or foster care, whether required under the FMLA or by an employer policy. Parental leave excludes paid vacation leave, personal leave, or medical or sick leave.

“Qualified employer” means an employer who has a policy in place that provides:

- all qualifying full-time employees with not less than two weeks of annual paid parental leave;
- all qualifying employees who are not full-time employees with an amount of annual paid parental leave that bears the same ratio to two weeks as the number of hours the employee is expected to work during any week, bears to the number of hours an equivalent qualifying full-time employee is expected to work; and
- that the rate of payment under the program is not less than 100 percent of the wages normally paid to the employee for services performed for the employer.

“Qualifying employee” means an employee who has been employed by the qualified employer for at least one year.

Subd. 4. Carryover; refundability; appropriation. Provides that the credit for employers may be carried forward for up to five years and that the credit for employees is refundable. Provides an appropriation for the refundable employee credit.

Effective date. The employer credit is effective beginning in tax year 2022 for wages paid after June 30, 2022 and unpaid leave taken after June 30, 2022.