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## **S.F. No. 4394 – Small business tax credit for paid family leave benefits (as proposed to be amended by the A-1 amendment)**

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**Date:** April 27, 2022

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### **Section 1. Small business tax credit for paid family leave benefits.**

**Subd. 1. Employer tax credit.** Provides a credit against the income, corporate franchise, alternative minimum or corporate alternative minimum tax for the amount of paid family leave benefits, up to \$3,000, paid by the employer on behalf of each qualified employee. The credit excludes any amount deducted or excluded from FTI for corporate filers and FAGI for individual filers.

**Subd. 2. Definitions.** Defines terms relevant to the credit. In pertinent part:

“**Child**” means a person under 18 years of age or 18 years or older and incapable of self-care due to a mental or physical disability; and a biological, adopted, or foster son, daughter, stepson, stepdaughter, son or daughter of a domestic partner, or son or daughter of a person to whom the employee stands in loco parentis.

“**Employee**” means an employee whose wages are subject to withholding under the tax chapter.

“**Family leave**” means leave for:

- participating in providing care, including physical or psychological care, for a family member of the employee due to the family member's serious health condition;
- bonding with the employee's child during the first 12 months after the child's birth, or the first 12 months after the placement of the child for adoption or foster care with the employee; or
- addressing a qualifying exigency arising from the spouse, child, or parent of the employee's active duty or notification of an impending call or order to active duty in the U.S. armed forces.

“**Family member**” means a child, spouse, parent, or grandparent.

**“Parent”** means a biological, foster, or adoptive parent; a stepparent; a legal guardian; or other person who stood in loco parentis to the employee when the employee was a child.

**“Qualified employee”** means an employee who has been employed by the qualified employer for one year or more.

**“Qualified employer”** means an employer subject to the withholding requirements the income tax chapter who employs 50 or fewer employees in Minnesota and pays family leave benefits for one or more qualified employees.

**“Serious health condition”** means an illness, injury, impairment, or physical or mental condition, including organ or tissue transplant or donation, that involves inpatient care in a hospital, hospice, or residential health care facility, continuing treatment, or continuing supervision by a health care provider as defined in an insurance policy.

**Subd. 4. Nonresidents and part-year residents.** Requires the credit be allocated under provisions of current law.

**Subd. 5. Partnerships; multiple owners.** Provides that the credit must be passed through to owners of pass-through entities according to the partner, member, shareholder, or owner’s share of the entity’s assets or as provided in the entity’s organizational documents.

**Subd. 6. Carryover.** Allows the credit to be carried forward for up to five years.

Effective for taxable years beginning after December 31, 2022 and before January 1, 2026.