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Overview

This bill authorizes employers to offer their employees family and medical leave savings accounts (FMLSAs). Employees could use amounts in their FMLSAs to offset wage losses during a family or medical leave. Contributions to FMLSAs are deductible in computing Minnesota income tax and a refundable tax credit offsets the federal income tax on the contribution amount.

The bill also appropriates money to the commissioner of the Department of Employment and Economic Development (DEED) for voluntary family and medical technical assistance grants.

Article 1 Family and Medical Leave Savings Accounts

Section

1 **Family and medical leave savings accounts.** Authorizes employers to offer FMLSAs to their employees. Amounts contributed to these accounts would be exempt from withholding tax and the employee could subtract the contributions in computing income subject to Minnesota income tax. (Although not explicitly stated, employees would decide whether to contribute and the amount of the contribution.) Employers must contract with a third party to administer the accounts and may make matching contributions to an employee account.

Use of accounts. Amounts in the accounts may be used to offset wages lost due to the employee's absence from work for circumstances that qualify under the federal Family and

Section

Medical Leave Act or parenting leave under section 181.941. If an employee stops working for the employer, no penalty would apply to the withdrawal.

Maximum contribution. The maximum annual contribution is \$6,750. This amount is indexed for inflation in future years.

Asset protection. Amounts in FMLSAs may not be assigned and are exempt from creditors.
Effective the day following final enactment

- 2 **Subtraction.** Allows a subtraction from federal taxable income for amounts deposited in an FMLSA (up to the section 1's maximum limit).

Effective for tax year 2017

- 3 **Additional tax.** Increases the regular income tax on unauthorized withdrawals from an FMLSA by 20 percent of the amount of the withdrawal that is included in adjusted gross income. Unless the withdrawal is made in the same tax year as the contribution was made, this amount may be zero because the income from which the contribution was made would have been included in adjusted gross income in a previous year.

Effective for tax year 2017

- 4 **Tax credit to offset federal tax.** Allows a refundable tax credit equal to the amount of federal income tax that the contributor pays on an amount equal to the FMLSA contributions for the taxable year. The taxpayer would compute federal tax with and without including the amount of the contribution in income and the credit would equal the difference.

Effective for tax year 2017

- 5 **AMT.** Exempts the subtraction under section 2 from the alternative minimum tax on individuals.

Effective for tax year 2017

- 6 **Withholding tax exemption.** Exempts contributions (up to the section 1's maximum limit) to FMLSAs from Minnesota withholding tax.

Effective for tax year 2017

Article 2

Voluntary Family and Medical Leave Assistance Grants

- 1 **Appropriation.** Appropriates blank amounts for fiscal years 2018 and 2019 to DEED for grants to small business development centers to provide information and technical assistance to businesses interested in offering private family leave programs.