SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION

S.F. No. 463

1.1   A bill for an act

1.2   relating to taxation; income and corporate franchise; creating a tax credit for
1.3   employer paid family leave; proposing coding for new law in Minnesota Statutes,
1.4   chapter 290.

1.5   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6   Section 1. **[290.0687] SMALL BUSINESS TAX CREDITS FOR PAID FAMILY**

1.7   **LEAVE BENEFITS.**

1.8   Subdivision 1. **Employer tax credit.** (a) A qualified employer is allowed a credit against

1.9   the taxes imposed under this chapter equal to the amount paid:

1.10   (1) directly by the qualified employer for paid family leave benefits on behalf of a

1.11   qualified employee; or

1.12   (2) to an insurance company to provide paid family leave insurance benefits to a qualified

1.13   employee.

1.14   (b) The credit allowed to an employer under this subdivision for a qualified employee

1.15   for a taxable year is limited to the lesser of the amounts listed in clauses (1) and (2), to the

1.16   extent not deducted in determining federal taxable income for corporate filers or federal

1.17   adjusted gross income for individual filers:

1.18   (1) $3,000; or

1.19   (2) the total amount paid:

1.20   (i) directly by the qualified employer for paid family leave benefits on behalf of a

1.21   qualified employee; or

2.1   (ii) to an insurance company to provide paid family leave insurance benefits to a qualified

2.2   employee.

2.3   Subd. 2. **Definitions.** (a) For purposes of this section, the terms in this subdivision have

2.4   the meanings given.

2.5   (b) "Armed forces" means members of the National Guard and Reserves;

2.6   (c) "Child" means a person who is:

2.7   (1) under 18 years of age, or 18 years of age or older and incapable of self-care because

2.8   of a mental or physical disability; and

2.9   (2) a biological, adopted, or foster son or daughter; a stepson or stepdaughter; a legal

2.10   ward; a son or daughter of a domestic partner; or a son or daughter of a person to whom the

2.11   employee stands in loco parentis.

2.12   (d) "Employee" has the meaning given in section 290.92, subdivision 1, clause (3).

2.13   (e) "Family leave" means leave for any of the following purposes:

2.14   (1) participating in providing care, including physical or psychological care, for a family

2.15   member of the employee made necessary by the family member's serious health condition;

2.16   (2) bonding with the employee's child during the first 12 months after the child's birth,

2.17   or the first 12 months after the placement of the child for adoption or foster care with the

2.18   employee; or

2.19   (3) addressing a qualifying exigency, as interpreted under the Family and Medical Leave

2.20   Act, United States Code, title 29, section 2612(a)(1)(e), and Code of Federal Regulations,

2.21   title 29, sections 825.126(a)(1) to (8), arising from the fact that the spouse, child, or parent

2.22   of the employee is on active duty or has been notified of an impending call or order to active

2.23   duty in the armed forces of the United States.

2.24   (f) "Family member" means a child, spouse, parent, or grandparent as defined in this

2.25   chapter.

2.26   (g) "Parent" means a biological, foster, or adoptive parent; a stepparent; a legal guardian;

2.27   or other person who stood in loco parentis to the employee when the employee was a child.

2.28   (h) "Qualified employee" means an employee who has been employed by the qualified

2.29   employer for one year or more.

2.30   (i) "Qualified employer" means an employer subject to the withholding requirements

2.31   under section 290.92, who:

3.1   (1) employs 50 or fewer employees in Minnesota; and

3.2   (2) pays family leave benefits for one or more qualified employees.

3.3   (j) "Serious health condition" means an illness, injury, impairment, or physical or mental

3.4   condition, including organ or tissue transplant or donation, that involves inpatient care in a

3.5   hospital, hospice, or residential health care facility, continuing treatment, or continuing

3.6   supervision by a health care provider as defined in an insurance policy. Continuing

3.7   supervision by a health care provider includes a period of incapacity that is permanent or

3.8   long term due to a condition for which treatment may not be effective and where the family

3.9   member is not receiving active treatment by a health care provider.

3.10   (k) "Tax imposed under this chapter" means the taxes imposed under sections 290.06,

3.11   290.091, and 290.0921, but excludes the fee under section 290.0922.

3.12   **Subd. 3. Nonresidents and part-year residents.** For a nonresident or part-year resident,

3.13   the credit must be allocated using the percentage calculated in section 290.06, subdivision

3.14   2c, paragraph (e).

3.15   **Subd. 4. Partnerships; multiple owners.** Credits granted to a partnership, a limited

3.16   liability company taxed as a partnership, an S corporation, or multiple owners of property

3.17   are passed through to the partners, members, shareholders, or owners, respectively, pro rata

3.18   to each partner, member, shareholder, or owner based on their share of the entity's assets

3.19   or as specially allocated in their organizational documents or any other executed document,

3.20   as of the last day of the taxable year.

3.21   **Subd. 5. Carryover.** If the credit allowed under subdivision 1 exceeds the tax imposed

3.22   under this chapter, the excess is a credit carryover to each of the five succeeding taxable

3.23   years. The entire amount of the excess unused credit must be carried first to the earliest

3.24   taxable year to which the amount may be carried. The unused portion of the credit must be

3.25   carried to the following taxable year. No credit may be carried to a taxable year more than

3.26   five years after the taxable year in which the credit was earned.

3.27   **EFFECTIVE DATE.** This section is effective for taxable years beginning after December

3.28   31, 2023, and before January 1, 2027.