

Memo

Date: December 19, 2025

To: Agency Payroll, Human Resources, and Accounting Staff

From: Katie Karow, Director, Statewide Payroll Services

RE: Payroll Codes and Minnesota Paid Leave

Minnesota Paid Leave (MPL) is in effect as of January 1, 2026. As shared earlier this month at the Statewide HR Operations meeting, two new earn codes have been created. Below is more information that explains how to process payroll when an employee chooses to supplement while receiving Minnesota Paid Leave benefits. This memo outlines what is currently known and being put in place for 2026 and identifies some of the current unknowns with direction to come later.

- [Payroll Codes](#)
- [Payroll Calculations](#)
- [Paycheck Information](#)
- [Tracking MPL Use](#)
- [Reporting Requirements to Statewide Payroll](#)
- [Additional Resources](#)

Payroll Codes

Two new earn codes have been created for use when employees are utilizing Minnesota Paid Leave (MPL). These codes are unpaid and do not accrue leave.

Enter these codes on an employee's timesheet for any hours the employee is absent from work due to leave qualifying as MPL, both for continuous and intermittent leave. The MPL codes should be used if an eligible employee is absent from work for an MPL-protected leave, regardless of whether they have applied for partial wage benefits from DEED. The new earn codes are:

- **PFM:** For use when an employee is on approved MPL **medical leave** for their own medical condition, including pregnancy and birth.
- **PFF:** For use when an employee is on approved MPL **family leave** to care for a family member, bond with a new child, attend to issues related to a family member in the military, and for safety leave.

In addition to these two new earn codes, there are two new transaction codes related to MPL. These codes should be entered by agency Human Resources when it is determined the employee is going to be absent from work due to leave qualifying as MPL. Please work closely with your agency's HR/Leave Management team if needed to ensure these codes align with the employee's use of MPL. The new action/reason codes are:

- **LOA/MPL:** Unpaid leave of absence; triggers direct billing for insurance premiums.
- **PLA/MPL:** Paid leave of absence; regular deductions continue.

Payroll Calculations

Employees have the option, but are not required, to supplement their time off with eligible accrued leave. This is also known as a "top-off." The agency's Paid Leave Administrator account holder for MPL will provide information regarding the supplemental calculation details. An example of the calculation is below, for reference.

After an employee applies and is approved for MPL benefits payments, DEED will calculate the employee's weekly benefit amount. This is a tiered calculation based on the employee's average weekly wage in the year before the leave begins. The tiered calculation will generally look at the previous year's FICA wages and provide 90% of wages for the first \$711.50; 66% of wages for the next \$711.50; and 55% of wages for the remaining wages, with the maximum payment capped at \$1,423 per week.

$$(e.g., [90\% \times \$711.50] + [66\% \times \$711.50] + [55\% \times \$115.46] = \$1,173.44)$$

Payments calculator

Estimate weekly payments

Please complete at least one quarter of the wages fields.

Enter or estimate your Minnesota wages from the four quarters prior to your planned leave.
(If you're a salaried worker, divide your annual pay by four.)

First quarter wages:

☒ Apply this quarter's wages to all quarters

Second quarter wages:

Third quarter wages:

Fourth quarter wages:

Calculation successful

Weekly payments

Based on the information you provided, you may be eligible to receive:

Weekly Paid Leave payments

\$1,173.44

How was this calculated?

Your weekly payment is calculated from your average weekly wage. To find your average weekly wage, this calculator looks at the quarter where you earned the most, and divides your wages by the number of weeks in that quarter.

- Highest earning quarter = \$20,000.00
- Divided by 13 weeks in a quarter
- Average weekly wage = \$1,538.46

Different amounts you earn are paid out at different rates, up to a maximum payment amount.

- 90% * \$711.50 = \$640.35
- 66% * \$711.50 = \$469.59
- 55% * \$115.46 = \$63.50

\$1,173.44

⚠ Estimates provided by this calculator are unofficial

Amounts provided by this calculator are unofficial estimates. Official calculations will be based on covered wages and application information as required by law.

Payroll Calculations (Cont'd)

After DEED's calculation has been made, the agency's Paid Leave Administrator account holder for MPL can then calculate the amount an employee may supplement, or top-off, to become "whole."

Example:

- *Joey applied for Paid Family Leave to bond with their child.*
- *They are eligible for FMLA and would like to supplement their time with SIK (FMS).*
- *Joey's current hourly pay is \$40, or \$1,600 per week.*
- *DEED approved twelve weeks of continuous leave and has calculated their weekly benefit amount to be \$1,173.44 per week.*
- *The difference between Joey's CURRENT weekly pay and DEED's payment is \$426.56.
[\$1,600 weekly pay - \$1,173.44 DEED payment = \$426.56]*

Agency Human Resources/Leave Management calculates the number of FMS hours Joey can use so that they receive as close to their normal weekly wage as possible without being overpaid.

- *\$426.56 to supplement / \$40 per hour = 10.66 hours per week*
- *10.66 hours per week / 5 days per week = 2.13 hours per day of FMS (FMLA Sick time)*

Time sheet example:

Earn Code	Tuesday	Wednesday	Thursday	Friday	Monday	Total
FMS (FMLA sick)	2.13	2.13	2.13	2.13	2.13	10.65
FML (FMLA unpaid)	5.87	5.87	5.87	5.87	5.87	29.35
PFF (record only)	8.00	8.00	8.00	8.00	8.00	40.00

Note: any overpayments to the employee are the responsibility of the Agency to recover from the employee ([Overpayment Policy](#)). It is of utmost importance that HR/Leave Management and the Agency Payroll staff work closely together to ensure appropriate supplemental payments to an employee.

Tracking Minnesota Paid Leave Use

For employees who apply to the MPL program at DEED for partial wage replacement benefits, DEED will track use of MPL during the employee's benefit year regardless of where the individual is employed during that year. As such, the number of weeks an employee is eligible for MPL with their current agency may be lower than the limits set forth by [MN State Statute 268B](#).

The agency/employee must use the appropriate new non-paid MPL earnings code(s) to track leave taken and ensure the employee does not exceed the amount of leave designated for the employee.

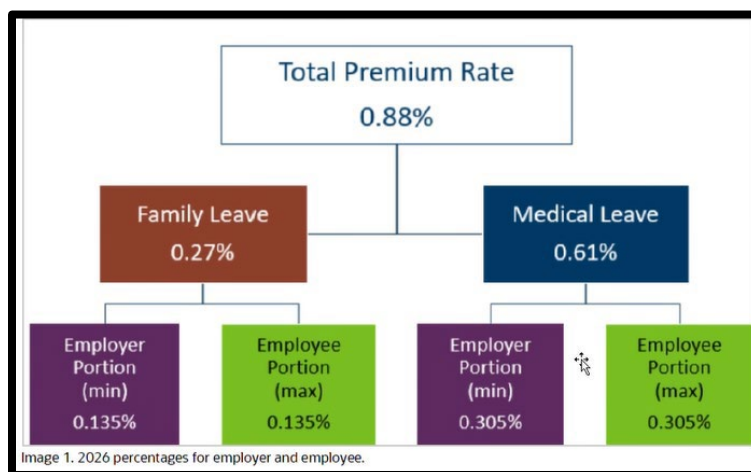
Use of the On-demand report **FIHU0604 Daily Time Tracking** will be useful for agencies to ensure each employee's limits are at or below what has been approved by DEED. When running this report, enter the Employee ID, Earnings Code (PFM and/or PFF), and the Pay Period Range to report that employee's use of leave.

Note: any overpayments to the employee are the responsibility of the Agency to recover from the employee ([Overpayment Policy](#)). It is of utmost importance that HR/Leave Management and the Agency Payroll staff work closely together to ensure appropriate supplemental payments to an employee.

Paycheck Information

The total premium for each employee is 0.88%, based on the employee's FICA wages. The employer will pay half of this, and the other half will be deducted from paychecks of covered employees beginning January 9, 2026.

There are two components of this premium rate: Medical Leave (*PML: 0.61%*) and Family Leave (*PFL: 0.27%*). Each component is then generally split equally between the employee and employer responsibility (*PML: 0.305% each and PFL: 0.135% each*).



The paycheck will show these amounts in four line items, in two sections of the check.

- MN PML/EE and MN PFL/EE will be reflected under the “Taxes” section for the employee.
- MN PML/ER and MN PFL/ER will be reflected under the “Employer Paid Benefits” section for the employer payment.

Taxes				
Description	Resident	Taxable Gross	Amount	YTD Amount
Fed OASDI/EE		4,770.81	295.79	295.79
Fed MED/EE		4,770.81	69.18	69.18
Fed Withholding		4,481.67	738.43	738.43
MN Withholding	Y	4,481.67	290.80	290.80
MN PML/EE		4,819.00	14.70	14.70
MN PFL/EE		4,819.00	6.51	6.51
Total:			1,415.41	1,415.41

Before-Tax Deductions			After-Tax Deductions			Employer Paid Benefits (* = Taxable)		
Description	Amount	YTD Amt	Description	Amount	YTD Amt	Description	Amount	YTD Amt
MSRS Gnr1						Fed OASDI/ER	295.79	295.79
Employee Rmt Plan	289.14	289.14				Fed Med/EE	69.18	69.18
Hlth Care Svng Plan - EE	48.19	48.19				MN PML/ER	14.70	14.70
						MN PFL/ER	6.51	6.51
						MSRS Gnr1 Employee Rmt Plan	301.19	301.19
Total:	337.33	337.33	Total:	0.00	0.00	Total:	687.37	687.37

Reporting Requirements to Statewide Payroll

Each Agency is required to notify Statewide Payroll of any payments made to the employee, specifically the employer portion of Social Security, Medicare, and Unemployment Insurance (FICA and UI) due to be included for the employee's pay.

The tax information will be found on [DEED's Paid Leave Portal](#). This communication is required to ensure tax compliance for payments to the IRS and Unemployment Fund are processed timely.

Additional information about the agency's reporting requirements will be communicated as soon as the process has been finalized.

Additional Resources

- [State of Minnesota Paid Leave Policy](#)
- [Overpayment Policy and Procedures](#)
- [HR/LR Policy Page](#)
- [MN Paid Leave Common Questions \(DEED\)](#)
- [MN Paid Leave Website \(DEED\)](#)
- Quick Reference Videos (being created)
- Internal Training Documents (being created)
- Additional Payroll Resources (being created)