



2025 Legislative Update for Minnesota

Date: December 17, 2024

As your HR Partner, we keep you informed of new employment laws affecting Minnesota in late 2024 and into 2025. In this document, you'll find summaries of new legislation and how it may impact your business and employees in the coming year. Please read the summaries and click on the linked resources to learn more about each legislation.

If you have questions about the new legislation, please contact us at 808-394-8878 to speak with one of our expert HR Consultants. Mahalo!

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Short Summaries:

All Job Postings Will Be Required to Include Compensation and Benefits Information

Effective January 1, 2025, employers with 30 or more total employees in Minnesota will be subject to Minnesota's new pay transparency requirements. Covered employers will be required to include in all job postings a starting salary range, or if no range, a fixed pay rate. More information on Minnesota requirements for salary ranges in job postings can be found here: <https://www.revisor.mn.gov/laws/2024/0/Session+Law/Chapter/110/>.

Minnesota's Paid Family Leave Act Has Been Expanded and Now Provides for Increased Taxes on Wages

In 2023, Minnesota enacted the Paid Leave Act, providing paid leave benefits to employees starting January 1, 2026. This Act provides that employers may have private plans for payment of paid leave, or may participate in a state plan. In the recent 2024 legislative session, the state legislature modified the Paid Leave Act in several ways, including by raising tax rates to support it, and also by broadening and clarifying the benefits to be paid under it. The legislature raised the payroll tax rate on wages from .7% to .88% to pay for the benefits, but the cap on potential future tax increases—up to 1.2%—remains unchanged. More information on Minnesota's Paid Family Leave Act can be found here: <https://paidleave.mn.gov/>.

Pregnancy and Parental Leave Enhancements

The Minnesota legislature revised the Pregnancy and Parenting Leave Law to require that the 12 weeks of parental leave guaranteed by state law "must not be reduced by any period of paid or unpaid leave taken for prenatal care medical appointments." This change creates the potential that an individual may use more than 12 weeks of protected leave in connection with pregnancy-related medical appointments and for care of a child following their birth. These changes took effect August 1, 2024.

Minnesota will now require employers to continue providing insurance benefits for employees on leave, and their dependents, as if the employees were not on leave. More information on Minnesota pregnancy and parent leave can be found here: <https://www.dli.mn.gov/business/employment-practices/pregnancy-and-parental-leave-fmla>.

The Earned Sick and Safe Time Law

Earned sick and safe time will be calculated based upon a "base rate." For example, an employee calling in sick on a Saturday when they would be getting increased rates for weekend work gets only base pay, not weekend pay, for the time off. In addition, employees are now entitled to funeral leave as a benefit under the earned sick and safe time law. More information on Minnesota sick and safe time law can be found here:

https://dli.mn.gov/sick-leave?gad_source=1&gclid=Cj0KCQjw7Py4BhCbARIsAMMx- KYRbLR24O dcn0JxIYGilFAPTJXZ80WmONotHjpAO3n4e96IxMAHLEaAh5REALw_wcB.

Independent Contractor Relationships Have New Requirements

Starting March 1, 2025, there will be new rules in Minnesota for determining independent contractors in the construction industry. Minnesota enacted a new law on misclassifying employees as independent contractors, with a special focus on those in the construction industry. For all industries, the new law adds penalties for misclassifying employees as independent contractors. Companies in the construction industry will need to satisfy a 14-point test to show that an independent contractor is properly classified. If not all 14 points of the new test are met, the purported independent contractor will be considered an employee of the general contractor.

Minnesota Bans Restrictive Covenants Between Service Providers and Their Customers

Minnesota enacted a new statute that bans certain non-solicitation agreements between "service providers" and their customers. The new law, which took effect July 1, 2024, prohibits service providers (broadly defined to include any businesses or groups of persons that are contracted to provide services to a customer) from entering into a contract prohibiting their customers from soliciting or hiring the service provider's employees, independent contractors, or any other person who performs work for the service provider. The change in law can be found here:

<https://www.revisor.mn.gov/laws/2024/0/Session+Law/Chapter/110/#:~:text=Sec.%2053.%20%5B181.9881%5D%20RESTRICTIVE%20EMPLOYMENT%20COVENANTS%3B%20VOID%20IN%20SERVICE%20CONTRACTS>.

Elimination of Alternative Minimum Wages

Minnesota wage law was amended to eliminate reduced minimum wage standards for small employers and minor employees. As of January 1, 2025, a lower minimum wage may be paid only to those under age 20, and only for the first 90 days of their employment. More information on Minnesota's minimum wage can be found here: <https://www.dli.mn.gov/minwage>.

Expanded Definitions and Increased Penalties in the Minnesota Human Rights Act.

Minnesota Human Rights Act (MHRA) prohibits discrimination in employment on the basis of race, color, creed, religion, national origin, sex, gender identity, marital status, disability, status with regard to public assistance, sexual orientation, familial status, and age.

The recent amendments to the MHRA expanded the definitions of “disability” and significantly increased an employer’s potential liability exposure. The definition of “disability” in the MHRA has been expanded to include any person who has an impairment that is episodic or in remission and would materially limit a major life activity when active. The definition of “familial status” is also broadened and includes caretakers. Additionally, the MHRA now allows civil penalties and damages for successful plaintiffs in court actions. Compensatory damages now explicitly include mental anguish and suffering, and (along with back pay and front pay) are subject to a multiplier up to three times “the actual damages sustained.”

Electronic Tips All Belong to the Employee

As of August 1, 2024, the full amount of all tips received through an electronic payment, such as the use of a credit card or app, must be credited to the employee in the pay period in which it was received and paid to the employee no later than the next scheduled pay period. The changes to the law can be found here:

<https://www.revisor.mn.gov/laws/2024/0/110/laws.7.1.0#laws.7.1.0::~text=Subd.%203a.-,Gratuities,-%3B%20credit%20cards%20or.>

Oral Fluid Drug Testing Is Now Permissible

Minnesota’s Drug and Alcohol Testing in the Workplace Act now allows the use of “oral fluid testing” for drug, alcohol, and cannabis testing.

How We Will Help

When it is appropriate, the ProService Hawaii standard handbook will be updated in compliance with new laws. If you have a handbook addendum and you would like to verify whether a policy is compliant with a new law, please contact your dedicated HR consultant for assistance with updating the handbook addendum.

NOTE: This legislative update is provided for informational purposes only. It is not for the purpose of establishing an attorney-client relationship or providing legal or tax advice and should not be relied upon as legal or tax advice.