Minnesota Paid Leave Tax

Document #:	3482	Product:	CenterPoint® Payroll

Minnesota's Paid Family & Medical Leave program starts January 1, 2026, requiring most employers to contribute to a state fund via payroll taxes (shared with employees) to provide partial wage replacement for workers taking leave for family/medical reasons. The tax has an employee and employer share. It has a cap based on the Social Security limit. The rate is split 50/50 between the employee and the employer, but the employer can pay all or part of the employee's share. If an employer chooses to pay some of the employee's share, that amount must be treated as taxable wages and shown on the W-2 in boxes 1, 3, and 5.

If the employer is not paying any portion of the employee share, **Steps A - B are required**. If the employer is paying some of the employee share, **Steps A-C are required**.

Step A: Check for Tax Table Update and Add Minnesota Paid Leave Tax to Employer

Step B: Add the Minnesota Paid Leave Tax to Minnesota Employees

Option A: Add to Individual Employees

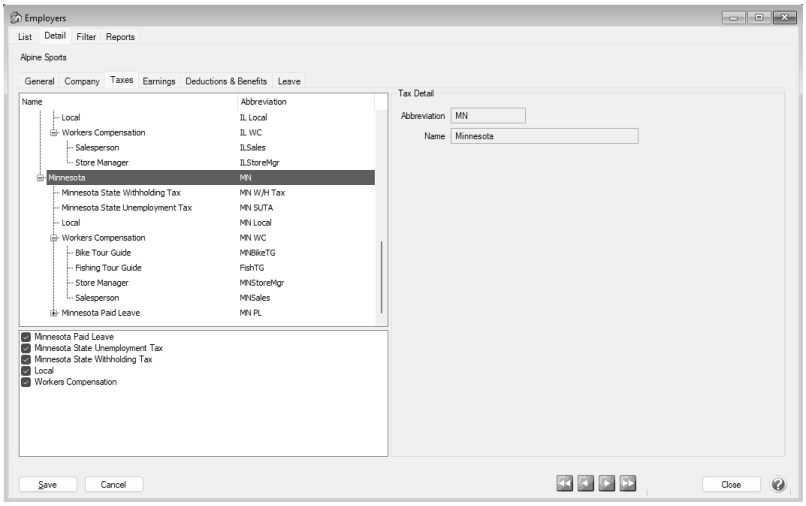
Option B: Add to Multiple Employees

Step C: For Employers Paying Some or All of the Employee Share

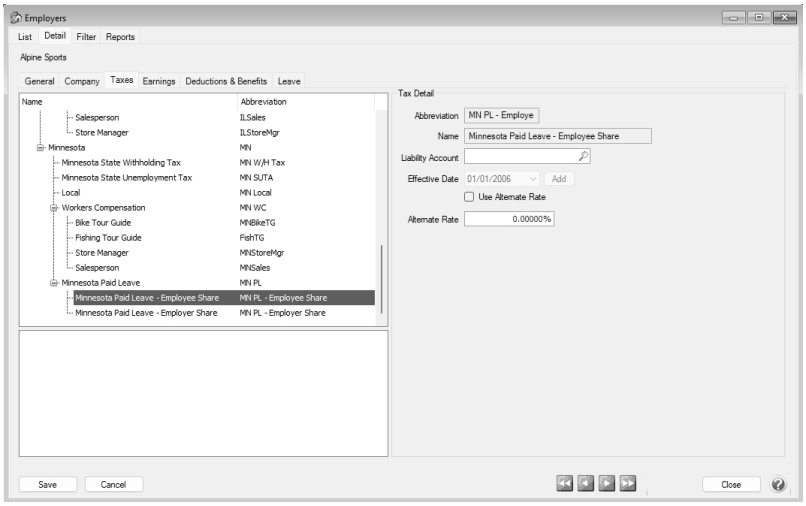
Step A: Check for Tax Table Updates and Add Minnesota Paid Leave Tax to Employer

Note: If you are using Red Wing Cloud Services, skip Step A-1. Red Wing Software handles updates for you on the Cloud.

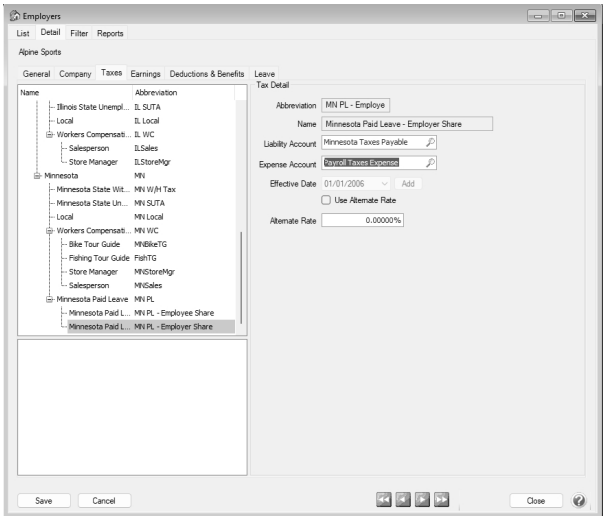
1. Select **Help** > **Online Updates** > **Check for CenterPoint Updates**. Your system version of CenterPoint, tax tables and all add-ons you have installed is compared to the current CenterPoint version, tax tables, and add-on versions available on the Red Wing Software website. If there are no updates available continue with step 2.
    a. Review the license agreement and privacy policy, and if you agree to the terms, click the **I agree** check box.
    b. Select **Install Updates**.
    c. When the download and installation are complete, click **Launch CenterPoint** to start your CenterPoint product.
2. Select **Setup** > **Employers** > **Taxes** tab.
3. From the top left side of the screen, select **Minnesota**.
4. From the bottom left side of the screen, select **Minnesota Paid Leave**. The tax will be added to the top left side of the screen.



e. From the left side of the screen, expand the **Minnesota Paid Leave** node so you see the Employer and Employee portions.
f. Select the **Employee Share**.



g. On the right side of the screen, if your employer pays a portion of the employee's share, select the **Use Alternate Rate** check box, in the **Rate** box, enter the **lower employee rate**, and enter any applicable **account** information.
h. From the left side of the screen, select the **Employer Share**.



i. On the right side of the screen:
   - If your employer qualifies as a small employer, select the **Use Alternate Rate** check box and change the **Rate** to the **lower small employer rate**.
   - If your employer is paying some of the employee share, **do not** select **Use Alternate Rate**. The system will calculate at the default percentage.
   - Enter any applicable **account** information.

j. Click **Save**.

Note: Each time a new tax is added to CenterPoint Payroll, it is important to check the **Setup** > **Payroll Details** > **Deductions & Benefits** > **Taxes** tab for all deductions/benefits. The **Taxes** tab allows you to decide if an employee deduction should be calculated before or after taxes and if an employee is responsible for paying taxes on a benefit provided by the employer.

Step B: Add the Tax to all Minnesota employees

Option A: Add to Individual Employees

1. Select **Setup** > **Employees** > **Taxes** tab.
2. Select an employee you want to add the Minnesota Paid Leave tax to and click Edit.
3. Select the **Taxes** tab.
4. From the upper left side of the screen, select **Minnesota**.
5. From the lower left side of the screen, select **Minnesota Paid Leave**.
6. Select the **Employer Share**.
7. On the right side of the screen, select the **Expense Account**.
8. Click **Save**.
9. Repeat steps 1 - 5 for all employees the Minnesota Paid Leave tax should be assigned to.

Option B: Add to Multiple Employees

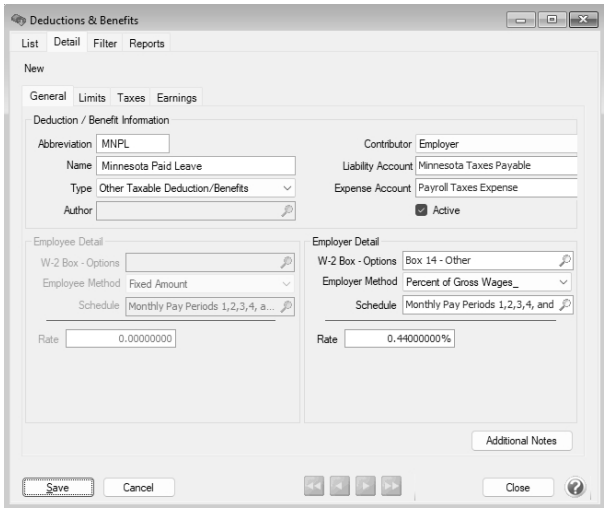
Important Note: It is recommended to perform a backup of your database prior to completing this step. For more information, see the Backup and/or Restore a Single User Database topic.

1. Select **Setup** > **Payroll Details** > **Employee Mass Update**.
2. The list of employees displays. Click **Select All** to select all employees or select multiple employees by pressing the **CTRL** key while you make your selections.
3. Click **Mass Update**.
4. In the **Category** box, select **Taxes**.
5. In the **Employer** box, select the employer you want to update taxes for.
6. On the right side of the screen, in the **Method** box, select **Only Add Record if Missing**.
7. On the left side of the screen, select **Minnesota Paid Leave** tax.
8. Expand the **Minnesota Paid Leave** node and select **Employer**.
9. Enter the **Expense Account**.
10. Click **Update**.

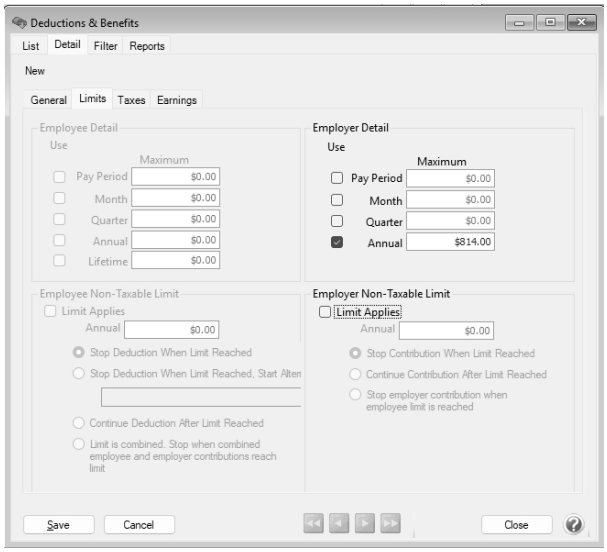
If the employer is not paying any portion of the employee share, **Steps A - B are required**. If the employer is paying some of the employee share, **Steps A-C are required**.

Step C: For Employers Paying Some or All of the Employee Share

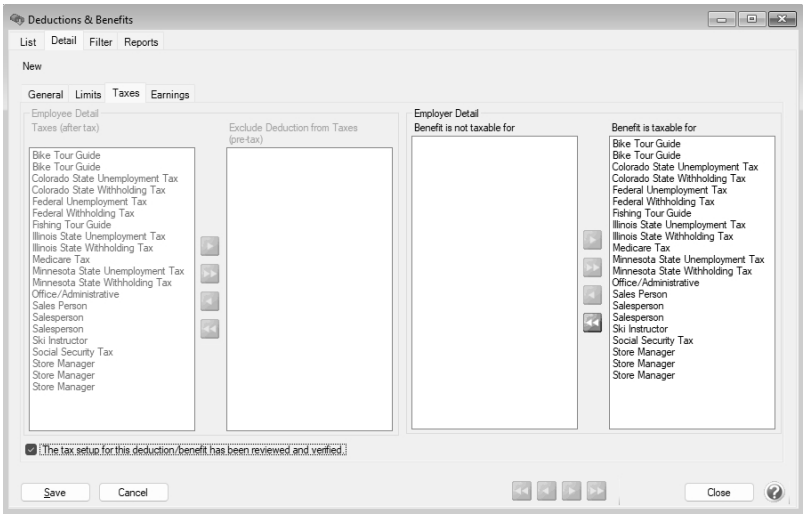
1. Select **Setup** > **Payroll Details** > **Deductions and Benefits** and click **New**.



2. Enter an **Abbreviation** and **Name**. It is recommended that you use a specific abbreviation , for example, MNPL for reporting purposes.
3. In the **Type** box, select **Other Taxable Deduction/Benefits**.
4. In the **Contributor** box, select **Employer**.
5. Select the **Liability** and **Expense** accounts. These should be the same as used on the Tax portion.
6. Under Employer Details in the **W-2 Box - Options** box, select **Box 14 Other**.
7. In the **Employer Method** box, select **Percent of Gross Wages**.
8. Select the appropriate schedule, normally **All pay periods**.
9. In the **Rate** box, enter the amount of the **Employee Share** the employer is paying.
10. Select the **Limits** tab, select the **Annual** check box and enter the **limit**. (This is the tax calculation amount limit, not the wage limit. To calculate the limit, multiply the wage limit by the **Rate** on the **General** tab. For example, in 2026 if you are paying the full employee portion, the calculation would be $185,000 x .0044 and the limit would be $814.00.)



11. Select the **Taxes** tab. The Benefit is taxable for section should include **Federal Withholding**, **Medicare Tax**, and **Social Security Tax** (W-2 Boxes 1, 3, and 5).



12. Select the **This tax setup for the deduction/benefit has been reviewed and verified.** check box.
13. Click **Save**.
14. At the *Do You Want to Add this Deduction/Benefit to employees?* prompt, click **Yes**. Select the appropriate employees and click **Add** or to add to each employee select **Setup** > **Employees** > **Deductions/Benefits** tab, selecting an employee, click **Edit**, select the **Deductions/Benefits** tab, select the benefit from the bottom left side of the screen, and then click **Save**.

Note: Red Wing Software will release an update during the 1st quarter of 2026 so that employers can link the benefit to the tax for reporting purposes. If you want to report on this information prior to the update, the **State Unemployment Tax by Employee Report** can be printed from **Reports** > **Reports** > **Payroll Tax Data Reports** > **State & Local Tax Reports** and an **Employee Deductions & Benefits** report can be printed from **Reports** > **Reports** > **Payroll Data Reports** > **Deductions & Benefits**.