

Paid Family Leave H.196

This is Leave for family bonding with a new baby or an adopted or foster child, Or to care for a sick family member with a serious illness. This program is not Temporary Disability or for an individual's own illness, Not that we didn't think that was important, it just requires different definitions and considerations.

The benefit of this PFL is 80% of one's gross salary up to a \$1042 per week to a total maximum of twice the livable wage Currently about \$52,000. The maximum duration is 6 weeks of PFL in a 12 month period. Individuals can combine with other unpaid leave or employer provided benefits to a total of 12 weeks.

The cost of the program is entirely financed by employee payroll deductions of 0.141% up to \$150,000 of salary. That means someone earning \$52,000 per year will have \$70.5 withheld yearly or \$1.35 per week. Someone earning \$150,000 will have \$211 per year withheld. The Legislature sets the deduction rate yearly. Payroll deductions begin July 1, 2018, Benefits July 1, 2019, providing a fund reserve of 100%. The 0.141% withhold also covers administrative costs at 7.5%.

The program is administered by the DOL like Unemployment Insurance. The employer collects the payroll tax, sends the money to the state and the state issues benefit checks to the employee taking PFL from the Parental and Family Leave Insurance Special Fund

To qualify an employee must have been employed in Vermont for 12 of the past 13 months.

All sized employers are included, Self employed individuals are NOT included.

What does it mean for employers? Employers may need to replace worker, but that is no different than the present situation when

someone takes unpaid leave. Employers with 10 or more employees must have a job available when the employee finishes PFL and must continue to pay the health insurance for the employee but that is also the case now with unpaid leave. It means a minor change to alter the amount withheld and remitted to the state from payroll.

Tax implications:

- A) Withholding: for Federal purposes it is deductible, for state purposes it is treated like any other state tax, not deductible
- B) Benefit: Taxable, for income tax, the recipient will be required to pay taxes and will get a 1099G form from the state. However, The recipient does not pay FICA and Medicare which adds 7.6% to value of the benefit.

PFL covers the serious illness of the employee's child, stepchild or ward who lives with the employee, foster child, grandchild, parent, grandparent, sibling, spouse, or parent of the employee's spouse

"Serious illness" means an accident, disease, or physical or mental condition that:

- (A) poses imminent danger of death;
- (B) requires inpatient care in a hospital;
- (C) requires continuing in home care under the direction of a physician.

Family Bonding is for both mother and father, or alternatively a grandparent if they are the primary caretaker and neither baby's mother or father are taking Paid Family Leave.



Cost Estimates for Parental and Family Leave Insurance in Vermont (2019)

	6 Weeks Parental & Family Care
Number of Leaves Taken	
Parental	6,341
Family Care	12,537
Total	18,878
Number Receiving Program Benefits	
Parental	4,346
Family Care	1,775
Total	6,121
Weeks Receiving Program Benefits	
Parental	4.8
Family Care	3.0
Overall	4.2
Average Weekly Benefit	\$651
Benefit Cost (millions)	
Parental	\$13.0
Family Care	\$2.9
Total Benefit Cost (millions)	\$15.9
Administrative (7.5 percent, millions)	\$1.2
Total Cost (millions)	\$17.1

Our view is that this is a workforce and economic development tool, family and especially young working family friendly that may attract or keep workers in Vermont. The real centerpiece is the family bonding leave for both mother and father which we expect to be the most common use of the program.