

## Paychecks

*Understand state law requirements for payment of wages such as methods of payment, permitted and prohibited deductions, how to handle final paychecks including payment for earned vacation or paid time off. Lists notice requirements for new hires and ongoing earnings statements. Learn what types of compensation are considered wages, and which compensation information is public.*

### RELEVANT LINKS:

[Minn. Stat. § 181.101.](#)

[Minn. Stat. § 181.101\(b\).](#)

[Minn. Stat. § 471.426.](#)

### I. Definition of wages

“Wages” generally include all compensation for performance of services. Wages may be fixed or determined by another method such as time worked, project completed, etc. Wages typically include sick pay, vacation pay, severance pay, and any other amounts promised per an employer’s policy or practice.

### II. Paydays

Employers are required to pay wages to employees at least once every 31 days, and all commissions earned by an employee at least once every three months. Payment must be made on a regular payday designated in advance of the payment, regardless of whether the employee requests payment at longer intervals.

Cities may pay volunteer firefighters, first responders, volunteer ambulance drivers and attendants, at longer intervals than once every 31 days, provided the employer and employee mutually agree to the arrangement.

### III. Method of payment

All wages must be paid by cash or check. An employee’s wages may be deposited directly into an account at a bank or other financial institution (“direct deposit”). Cities may mandate all employees use direct deposit.

### IV. Deductions from paychecks

An employer may make deductions from an employee’s wages if required or permitted by law (PERA, tax withholdings, etc.). The employer, with the written consent of the employee, may make payroll deductions for the following items:

## RELEVANT LINKS:

[Minn. Stat. § 181.06.](#)

[2023 Minn. Laws ch 53 § 22 amending Minn. Stat § 181.06 subd. 2.](#)

[Minn. Stat. § 179A.06, Subd. 6.](#)

See section VIII New Hire.

[Minn. Stat. § 181.79.](#)

[Minn. R. § 5200.0090.](#)

- Insurance premiums for health, life, flex accounts, and group accident plans.
- Group annuities
- Union dues.
- Membership dues of an organization of the employee's choice provided that the employee is unrepresented.
- Contributions to credit unions.
- A local arts council, a local science council or a local arts and science council Minnesota benefit association
- Participation in any employee stock purchase plan or savings plan for periods longer than 60 days, including gopher state bonds established under section 16A.645
- Membership dues of a qualified firefighter relief association
- A federally or state registered political action committee,
- Contributions to a community chest fund (i.e., charitable contributions like United Way, etc.)
- As of July 1, 2023, contributions to a nonprofit organization that is tax exempt under Section 501(c) of the Internal Revenue Code.

In May 2019 a new law known as the Minnesota Wage Theft Prevention Act, was passed which requires in part, notification to employees when they start employment with a list of specific information including a list of deductions that may be made from the employee's pay. Employers are required to keep a copy of the notice signed by each employee as well as provide employees in writing any changes to the information in the notice before the date the changes take effect.

## V. Prohibited deductions

Employers are not allowed to make direct or indirect deductions from an employee's wages for any of the following items:

- Lost or stolen property.
- Property damage.
- Any other claimed indebtedness (unless the employee voluntarily authorizes the deduction in writing after the loss has occurred, or has a judgment entered against him/her in court).
- Shortages in money receipts or merchandise, for the purchase or rental of uniforms or nonhome maintenance of uniforms, consumable supplies, travel expenses, for spoilage, for breakage or other damage, for cash shortages or losses resulting from omissions or other errors, for walkouts, bad checks, bad credit slips, missing guest checks, or robbery, or fines for disciplinary purposes.

## RELEVANT LINKS:

[Minn. Stat. § 177.24, subd. 4.](#)

[Minn. Stat. § 177.24, subd. 4.](#)

[Minn. Stat. § 177.24, subd. 5.](#)

From time to time, the League will receive calls from fire relief associations inquiring about setting up an arrangement with their affiliated city or town for membership dues to be withheld from firefighters' per-call payments. As noted above under deductions from paychecks, unrepresented employees may have membership dues taken for an organization of their choice. Conversely, this right does not exist for employees in a bargaining unit since relief association membership dues are not specifically listed as an authorized deduction.

In that case, an arrangement for a municipality to withhold membership dues for transmittal to the affiliated relief association would likely not be allowed for employees who are in a bargaining unit.

## VI. Uniforms and equipment

The maximum deduction allowable from an employee's wages for uniforms or equipment is \$50 per item. Further, a city is prohibited from making deductions for purchased or rented uniforms if the amount subtracted would reduce the employee's wages below minimum wage.

Deductions can be made for up to the full cost of the uniform or equipment listed below but may not exceed \$50, and cannot reduce the employee's wages below minimum wage:

- Purchased or rented uniforms or specially designed clothing required by the city, by the nature of the employment, or by statute as a condition of employment, which is not generally appropriate for use except in that employment.
- Purchased or rented equipment used in employment, except tools of a trade, a motor vehicle, or any other equipment that may be used outside the employment.
- Consumable supplies required in the course of that employment.
- Travel expenses in the course of employment except those incurred in traveling to and from the employee's residence and place of employment.

At termination of an employment, the city must reimburse the employee for the full amount deducted for any of the items listed above. When reimbursement is made, the city may require the employee to surrender any existing items for which the city provided reimbursement.

## RELEVANT LINKS:

[Minn. Stat. § 181.645.](#)

[Minn. State. § 181.61.](#)

MN Dep't of Labor and  
Industry: [Wage Theft  
Legislation 2019 and  
Summaries.](#)

[Minn. Stat. § 181.032.](#)

## VII. Medical examinations and documents

No deductions may be taken or charges made to an applicant for employment for the cost of a medical exam, orientation, or for providing records incurred in criminal or background checks, required as a condition of employment, unless the training or testing is required to obtain or maintain a license, registration or certification.

## VIII. New Hire

Effective July 1, 2019, at the start of employment, employers are required to provide a written notice containing the following information:

- The rate or rates of pay and basis thereof, including whether the employee is paid by the hour, shift, day, week, salary, piece, commission, or other method, and the specific application of any additional rates.
- Allowances, if any, claimed pursuant to permitted meals and lodging.
- Paid vacation, sick time, or other paid time-off accruals and terms of use.
- The employee's employment status and whether the employee is exempt from minimum wage, overtime provisions, or other provisions of the state FLSA and on what basis.
- A list of deductions that may be made from the employee's pay.
- The number of days in the pay period, the regularly scheduled pay day, and the pay day on which the employee will receive the first payment of wages earned.
- The legal name of the employer and the operating name of the employer if different from the legal name.
- The physical address of the employer's main office or principal place of business, and a mailing address if different; and telephone number.

According to the Department of Labor, this start-of-employment notice must be given to all employees, including temporary employees.

The employer must keep a copy of the notice provided to the new hire and signed by each employee acknowledging receipt of the notice. The notice must be provided to each employee in English. The English version of the notice must include text provided by the commissioner that informs employees that they may request, by indicating on the form, the notice be provided in a particular language. If requested, the employer shall provide the notice in the language requested by the employee.

## RELEVANT LINKS:

MN Dep't of Labor and Industry: [Wage Theft Legislation 2019 and Summaries](#).  
[Minn. Stat. § 181.032](#).

[Job Offer and Start of Employment](#), LMC Model Notice. MN Dep't of Labor and Industry: [Wage Theft Legislation 2019 ad summaries](#). MN Dep't of Labor and Industry: [Employee Notice](#).  
[Minn. Stat. § 181.55](#).

[Minn. Stat. § 181.56](#).

[Minn. Stat. § 181.57](#).

[Contract Confirmation Letter](#), LMC Model Form.

[Minn. Stat. § 181.032](#).

[Minnesota earnings statement law](#).

The Commissioner shall make available to employers the text to be included in the English version of the notice required by this section and assist employers with translation of the notice in the languages requested by their employees.

An employer must provide the employee any written changes to the information contained in the notice prior to the date the changes take effect.

While employers may choose the format they wish to use for the written notice to new hires, some cities may find it helpful to incorporate the information into their new hire letter. A sample letter is linked to the left. The Mn Department of Labor and Industry has a webpage devoted to the new wage theft legislation and includes a sample employee notice.

A second notice for new employees is required when a position involves an employment contract.

When a “contract of employment” is consummated between an employer and an employee for work to be performed in this state, or for work to be performed in another state for an employer localized in this state, the employer must give the employee a written statement that includes certain information. Where no such written agreement is entered into the burden of proof shall be upon the employer to establish the terms of the verbal agreement in case of a dispute with the employee as to its terms. This requirement does not apply to “casual or “temporary employees” as well as for employers with less than 10 employees. A sample contract confirmation letter is linked to the left.

## IX. Ongoing earnings statement

Employers are required to provide employees with an earnings statement each pay period. The statement may be in writing or by electronic means, but must include the:

- Employee's name.
- Rate or rates of pay, and basis thereof, including whether the employee is paid by hour, shift, day, week, salary, piece, commission, or other method.
- Total number of hours worked by the employee in the pay period.
- Allowances, if any, claimed pursuant to permitted meals and lodging under Minnesota Rules 5200.
- Total amount of gross pay earned by the employee during that period.
- List of deductions made from the employee's pay.
- Net amount of pay after all deductions are made.
- Date on which the pay period ends.

## RELEVANT LINKS:

[2023 Minn. Law ch. 53.](#)

[Minn. State. § 181.032 \(a\).](#)

[Minn. Stat. § 181.032 \(c\).](#)

[Minn. Stat. § 181.14.](#)  
HR Reference Manual,  
*Chapter 3*, page 70.

[Minn. Stat. § 181.13.](#)

- Employer's legal name and operating name.
- Physical address of the city's main office and mailing address, if different.
- Employer's telephone number.
- Effective January 1, 2024, at the end of each pay period, each employee must receive an earnings statement covering that pay period including the total number of Earned Sick and Safe Leave hours accrued and available for use and the total number of earned Sick and Safe time hours used during the pay period.

A city who chooses to provide an earnings statement by electronic means must provide employee access to a city-owned computer during an employee's regular working hours to review and print earnings statements. In the event an employee requests, with at least 24-hours advance notice, earnings statements to be in written form rather than electronic means, a city must comply with that request on an ongoing basis.

## X. Final Paychecks

### A. Employee Resignation

The wage earned and unpaid at the time an employee quits/resigns must be paid in full no later than the first regularly scheduled payday following the

employee's final day of employment (unless employee is subject to a collective bargaining agreement with a different provision). If the first regularly scheduled payday is fewer than five calendar days after the employee's final day of employment, full payment may be delayed until the second regularly scheduled payday. Total delay must not exceed 20 calendar days following the employee's final day of employment.

### B. Employee Discharge

The wages earned and unpaid at the time an employee is discharged are due and payable "immediately" (within 24 hours after demand by the employee). Where city council approval of expenditures is required prior to release of funds, the 24-hour period for payment commences on the date of the first regular or special meeting of the city council following discharge of the employee. The wages must be paid in the usual manner of payment, unless the employee requests the wages be sent through the mail.

## XI. Payment of Earned Vacation Time/PTO

Minnesota statute tells cities when to pay terminated employees.

## RELEVANT LINKS:

[Minn. Stat. § 181.13.](#)

[Lee vs. Fresenius Medical Care, Inc.](#) 741 N.W.2d 117 (Minn. 2007).

[Hall vs. City of Plainview](#) A19-0606 (Minn. Ct. App. Dec. 9, 2019).

Dep't of Treasury IRS: [Pub 525 Taxable and Nontaxable Income.](#)

However, generally, a city's vacation/PTO policy or a collective bargaining agreement, not statute, covers what, if any, unused vacation or paid time off (PTO) leave will be paid to the separating employee.

Generally, Minnesota cities will look to their own employee handbook and other policies to determine the accrual and pay out of vacation/PTO, including upon employment separation.

Minnesota law does not create a substantive right to accrued vacation and/or paid time off (PTO) or a substantive right to a payout of accrued vacation/PTO upon employment separation. (Cite 181.13, Lee case, Hall case). However, Minnesota law requires employers, including city employers, to pay vacation/PTO, including a payout upon employment separation, if they are required to do so by a contract – i.e. an individual employment contract, a collective bargaining agreement, or an employee handbook or policy that constitutes an employee handbook. (Since changes to the law in 2013, city employers are also required to payout vacation/PTO if they are required to do so by an ordinance or a government resolution or policy, including their own).

Minnesota law also specifies the timing of various events upon separation/termination, including payouts of owed compensation, which includes a payout of vacation/PTO if legally owed.

It has been a longstanding practice of employers, including cities, to include disclaimers in their employee handbooks to maintain flexibility and ensure that employee handbooks do not create contracts.

However, in its 2021 Hall v. Plainview decision, the Minnesota Supreme Court decided that a general disclaimer in an employee handbook is not sufficient to preclude a contract regarding vacation/PTO terms, including terms related to a payout upon separation. Instead, the Court stated that employers would have to carefully craft specific disclaimers for vacation/PTO provisions in order for them to be valid and effective.

Cities will want to review and update their personnel policies with their city attorney to ensure the policy language is clear with respect to the city's intended result for accrued leaves and prevents the formation of contractual rights.

If a city's employee handbook/policy reads employees will be paid accrued vacation/PTO upon separation, then a city will want to follow its policy and pay the separating employee the accumulated leave. On the other hand, if a city's vacation/PTO policy only includes a general disclaimer and/or defines situations when vacation or PTO will not be paid out (i.e., under dishonorable conditions or without two weeks' notice) then the city will want to consult with the city attorney to determine whether any vacation or PTO payout will apply.

## RELEVANT LINKS:

[Minn. Stat. § 13.43, subd. 2.](#)

[DPO 96-020.](#)

[Minn. Stat. § 13.43 subd. 2\(a\)\(6\).](#)  
[DPO 12-006.](#)

(800) 925-1122  
(651) 281-1200  
[HRbenefits@lmc.org](mailto:HRbenefits@lmc.org)

As a general rule, severance payments are subject to social security and Medicare taxes, income tax withholding, and FUTA tax.

## XII. Public Data

Under state law an employee's actual gross salary, salary range, contract fees, actual gross pension, the value and nature of employer paid fringe benefits, the terms and conditions of the employment relationship and the basis for and the amount of any added compensation are public information.

Also, under public data are the "complete terms" of any settlement agreement (including buyout agreements), except that the agreement must include specific reasons for the agreement if it involves payment of more than \$10,000 of public money. Best practice suggests working with the city attorney on settlement agreements.

## XIII. Further Assistance

If you have any additional questions, please contact the League's Human Resources and Benefits Department.