Client Alert

Maryland's Family and Medical Leave Insurance Program; Contributions to Begin January 1, 2027

WHAT'S NEW: Maryland's Family and Medical Leave Insurance (FAMLI) Program was passed in 2022. Maryland has delayed its implementation for a few years. Everything is now on track for the program to go live in 2027. Contributions will begin **January 1, 2027**, and benefits will be available **January 1, 2028**.

WHAT IT MEANS: Maryland's FAMLI Program will provide workers with paid time off for health and family matters.

Preparing for the Program

Registration

Employers with at least 1 employee in Maryland are subject to the new law. Registration is required. Employers should register here: https://paidleave.maryland.gov/register/

Notifying Employees

Starting in **July 2027** employers must provide notice of the FAMLI Program to employees as follows:

- To existing employees and to all new hires.
- And then annually thereafter.
- When an employee specifically requests FAMLI leave or the employer knows the employee qualifies for leave under the FAMLI Program.

The FAMLI Division will prepare a sample notice for employers to utilize.

Employers who collect employee contributions will need to provide notice **one pay period before payroll deductions begin**.

Withholding and Reporting

FAMLI will be funded through contributions from both employers and employees. The Maryland Department of Labor will set the contribution rate based on actuarial estimates. For 2027, the contribution rate will be .9% and may be split equally between employees and employers. Beginning January 1, 2027, employers are permitted to begin withholding up to half the contribution from employees' paychecks each pay period.

Employers may opt to pay their employees' portions. If selecting to do this, employers should consult with a tax professional to determine any potential tax consequences.

Engage will begin deducting employees' .45% contribution in January 2027. If an Engage client would like to pay the employee's portion, the client should notify their payroll specialist.

Beginning in April 2027, employers must electronically submit quarterly wage and hour reports to the FAMLI Division and remit contributions electronically. Engage will handle submission for clients.

Benefits of the Program

Qualifying Reasons for Leave. Employees may utilize the FAMLI Program for the following reasons:

- Bonding with a New Child - time off to care for a newborn or bond with a child placed through adoption, foster care or kinship care.
- Employee's Own Health Condition - time off for a serious health condition (one that requires medical treatment or hospitalization).
- Caring for a Family Member - time off to provide care for a family member with a serious health condition.
- Caring for a Service Member - time off to provide care for a family member in uniformed service who has a serious health condition caused by service.
- Uniformed Service Family Needs - time off to manage needs that arise from a family member's deployment

Amount of Leave. Employees are eligible for up to 12 weeks for a qualifying reason. The 12-month period begins to run the Sunday before the first day of an employee's leave.

If an employee welcomes a new child and experiences their own serious health condition, the employee may be eligible for up to 24 weeks.

Spouses who work for the same employer can take FAMLI leave at the same time if they choose. Leave may be taken continuously or intermittently.

Notice Requirements. **Employees must apply for leave here through the state.** The employer will be notified when an employee applies for FAMLI Leave through the state. Employees must update their claim within 10 days if anything changes such as the reason for leave, the start or end dates and how much leave is needed. The employer will be notified of any updates.

Intermittent Leave. Employees are required to work with employers on an intermittent leave schedule and give the employer advance notice before taking intermittent leave.

If the employee's leave usage does not follow the agreed upon plan, an employer may contact FAMLI to obtain more information. If an employee does not provide advance notice for intermittent leave, the employer must contact the FAMLI division before taking action against the employee.

Amount of Pay. Employees will receive up to 90% of their average weekly wage. Though, the maximum benefit is $1,000 per week regardless of wages.

Job Protection. Employers are required to hold the employee's position while the employee is on FAMLI Leave and the employee must be returned to the same or equivalent position. Employers must also continue the employee's health benefits while they are on FAMLI Leave.

Interaction with Other Leaves.

FAMLI Leave will run concurrently with FMLA, when FMLA also applies.
Accrued PTO may be used to "top off" an employee's FAMLI benefit so that they receive up to 100% of their regular wages.

If employers offer leave for similar situations as FAMLI provides (e.g. parental leave), an employer can require that the employee utilizes the employer provided leave concurrently with the FAMLI leave. Employers may not require that employees exhaust paid leave benefits before accessing FAMLI leave.

WHAT EMPLOYERS SHOULD DO:

Employers should plan to update their policies and train managers on the new requirements. A sample policy can be found here. Employers should prepare to notify employees of upcoming payroll deductions on or before the last pay period in **December 2026**. Employers should keep an eye out for the FAMLI Division's model notice of the FAMLI Program and begin preparing for distribution of notices beginning in **July 2027** and annual notices thereafter. When benefits become available in 2028 employers should reach out to Engage's leave team at LOA@engagepeo.com for assistance in administration of an employee's leave under Maryland's new program.