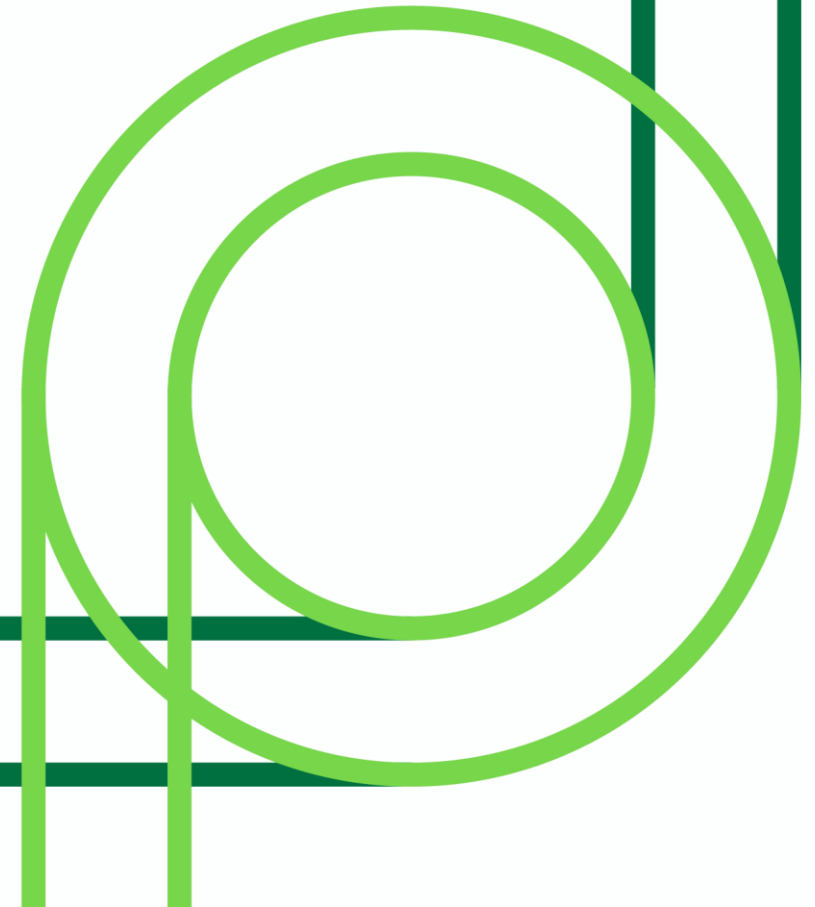




Annual Construction Update

Presented by Liyana Aryan

May 14, 2025



Welcome! Introductions



John Gallo
Managing Director
UHY LLP



Welcome! Introductions



Paula Macpherson
Executive Director
Velocity



Today's Panelists



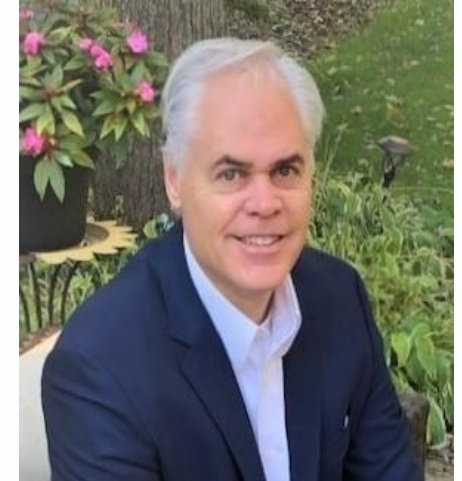
John Gallo
Managing Director
UHY LLP



Chris Duprey
Chief Financial Officer
Granger Construction



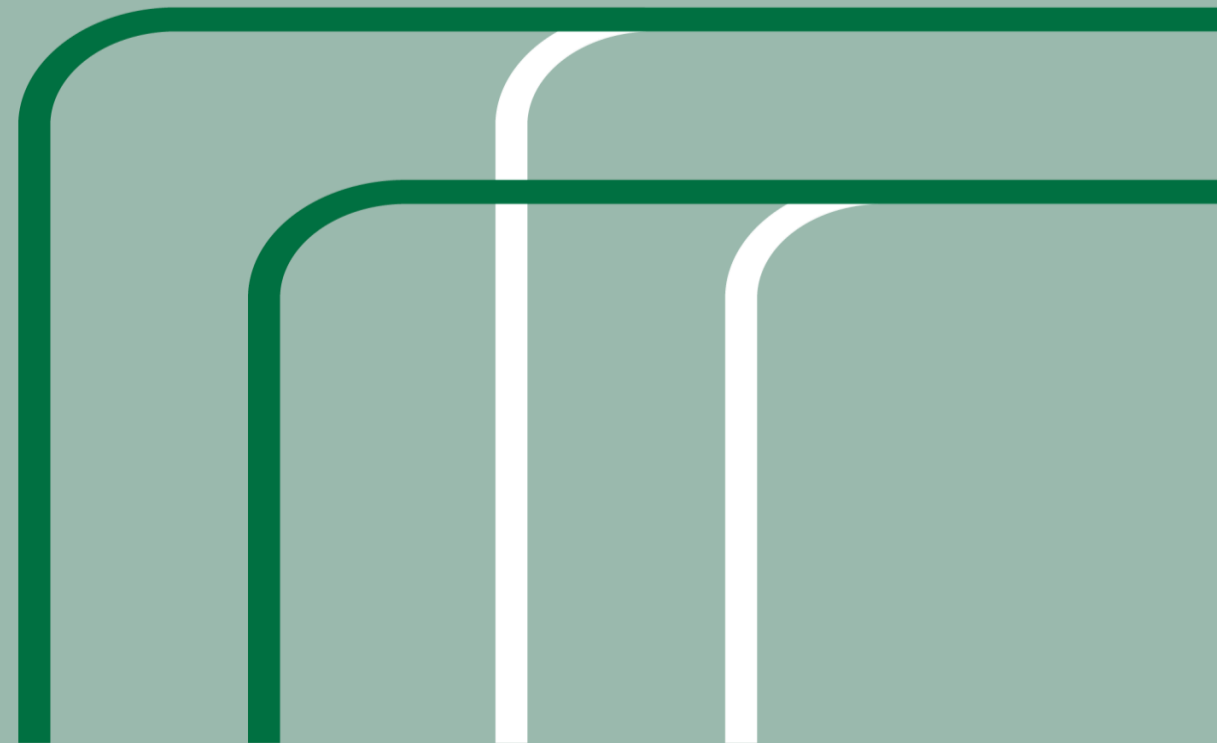
Michael Schatz
Client Executive
Hylant



Chris Meso
Strategic Business Coach
T-Rex Advisory



Current Proposals



What is being proposed?

- Trump administration seeking to extend several TCJA provisions sunsetting in 2026 including:
 - Extension of provisions for owners of pass-through entities
 - Qualified Business Income (QBI) deduction for small / medium sized business
 - Bonus depreciation
 - Reinstatement of immediate expensing on fixed asset acquisitions
 - Qualified Opportunity Zones (QOF)
 - Gain deferral if reinvested



What is being proposed?

- Corporate income tax rate from 21% to 20% or 15%
 - Aimed at encouraging increased domestic manufacturing
- Like-kind exchanges
 - Gain deferral on buying/selling real property
- Business interest expense limitation
 - Definition of adjusted taxable income
- Green energy tax provisions
 - Credits for clean energy initiatives



How much will that cost?

- May 10, 2025 -
 - Joint Committee of Taxation estimated revenue effect is \$5 trillion
 - House Republican-approved budget allows for \$4.5 trillion in tax cuts
 - Can we make it skinny?





Waddle We Do
Without Free
Trade?



Tracking the Trump Administration's Tariff Policies – Country Specific

Target	Dates	Affected Imports	Applicable Rate
Canada	Announced Feb 1; scheduled Feb 4 but delayed 30 days; effective Mar 4; 30 day exemptions granted Mar 5 & 6; exemptions extended indefinitely	Up to \$253 billion while exemptions are in effect	25% non-energy; 10% energy and potash; to be replaced with 12% "reciprocal tariff" on non-USMCA imports excluding energy and potash later
Mexico	Announced Feb 1; scheduled Feb 4 but delayed 30 days; effective Mar 4; 30 day exemptions granted Mar 5 & 6; exemptions extended indefinitely	Up to \$236 billion while exemptions are in effect	25%; to be replaced with 12% "reciprocal" tariff excluding USMCA imports later
China	Announced Feb 1; effective Feb 4; increased Mar 4	\$430 billion	10% initially; increased to 20%, plus additional 125% under "reciprocal" tariffs

Source: Tax Foundation Equilibrium Model



Tracking the Trump Administration's Tariff Policies – Country Specific

- May 12, 2025, Update – WSJ reports US & China reach trade deal and agreed to a 30-day truce
- Trade clash threatens millions of jobs in China, and access to certain US products.
- In US, many business rely on Chinese products





Tracking the Trump Administration's Tariff Policies – Product Specific

Target	Dates	Affected Imports	Applicable Rate
Steel and Aluminum	Announced Feb 10; effective Mar 12	Ending steel exemptions \$29billion; ending aluminum exemptions \$12 billion; expanding derivatives \$44billion	25%
Autos	Announced Feb 12; effective Apr 2	Autos: \$153 billion; Auto parts: \$279 billion; amounts assume USMCA excluded	25%
Timber, Lumber, Derivatives	Announced Mar 1; report due Nov 26	Wood and wood products \$22.9 billion	Unknown

Source: Tax Foundation Equilibrium Model



Energy Tax Credit Changes

- Targeted repeal of Inflation Reduction Act credits.
- Likely to keep popular credits:
 - Carbon capture (45Q)
 - Domestic content credits
 - Advanced manufacturing credits
- EV subsidies could face sharp cuts.





HOW DOES BUDGET RECONCILIATION WORK?



1

Budget resolution adopted that includes reconciliation directives to individual committees.



2

2a
Specific committees report legislation in response to reconciliation directives.

2b
Generally, the Budget Committee in each chamber packages responses together and reports a bill.



3

Reconciliation bill considered on each chamber floor. Simple majority needed for Senate passage.



4

Differences resolved between chambers (conference committee or amendment exchange).



5

Reconciliation bill enacted into law or vetoed.

Source: Congressional Research Service.



IRS and Regulatory Shifts

- Likely cuts to IRS enforcement funding.
- Chevron doctrine overturned → Courts to more strictly review IRS regulations.
- Expect more tax regulation challenges in courts.



Individuals

- Extension of TCJA rates
- New top tax rate
- Capital gains tax rates
- Social Security benefits
- Tips & overtime pay



Individuals



- Standard deduction
- Itemized deductions
- State and local taxes (SALT)
- Mortgage interest deduction



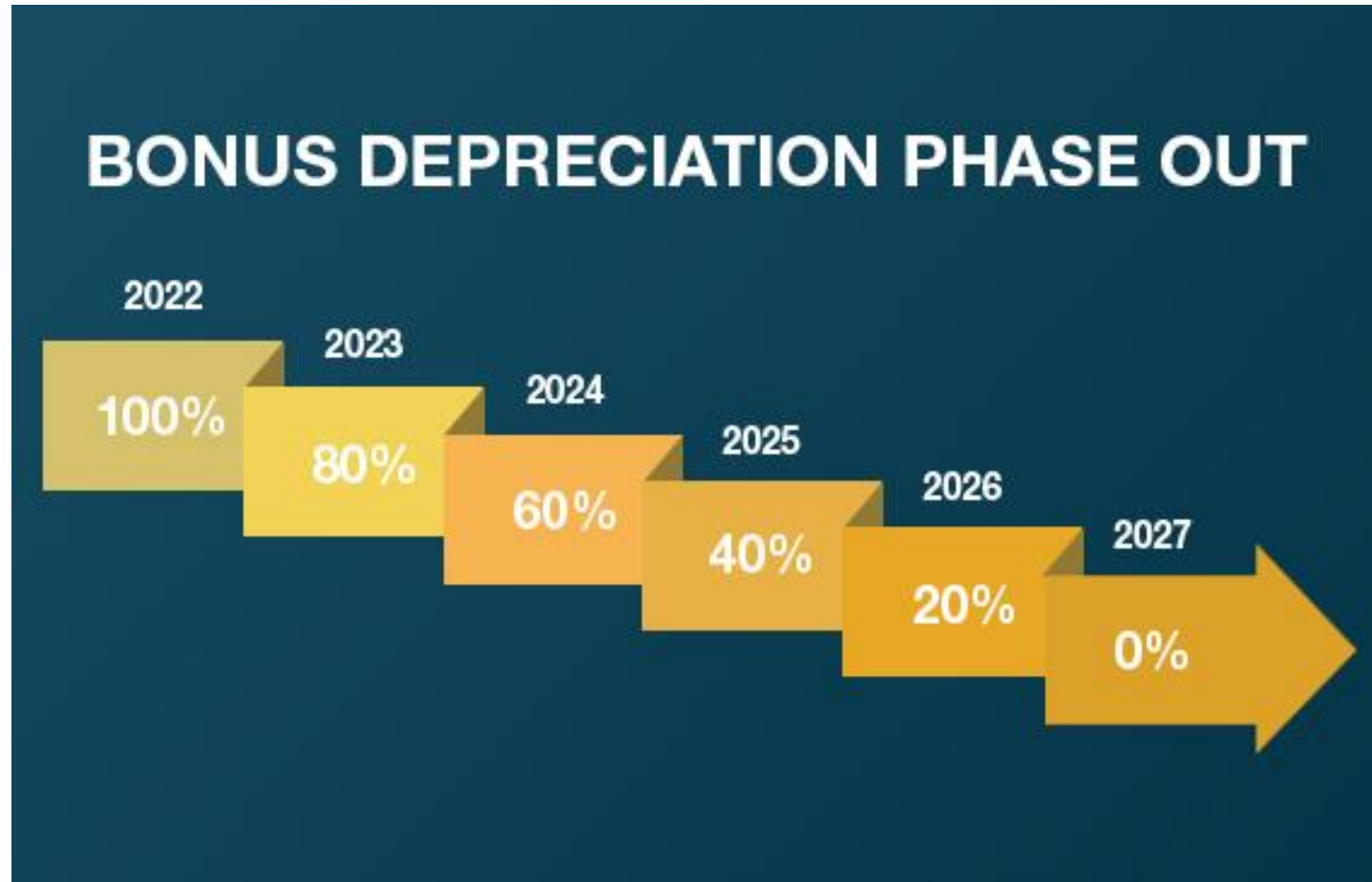
2025 Planning Ideas

What is staying in 2025?

- Section 179 & Bonus Depreciation
- Net Operating Losses
- 179D Building Deductions
- Research & Development Credit & Section 174
- Estate Taxation
- Individuals

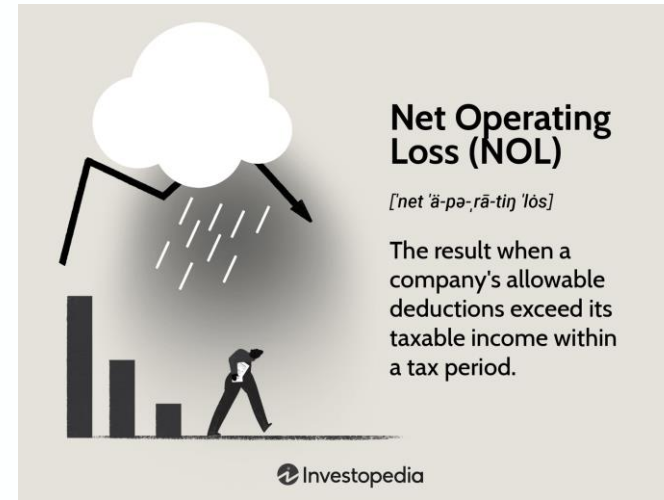
THAT'S
FOR SURE!

IRC Sec. 179 & Bonus Depreciation



Net Operating Losses

- 80% limitation on NOLs generated
- Any NOLs after 2021 can only be carried forward
- May vary depending on State
- *Company A has taxable income on \$100,000, a NOL from 2017 of \$25,000 (100%) and a NOL from 2021 of \$80,000 (80%). The taxable income would be equal to \$11,000 taxable income. $(100,000 - 25,000 - (80,000 * 80\%)) = 11,000$*



IRC Sec. 179D “Green Building Deductions”



- Amended via Biden’s Inflation Reduction Act
- Deduction typically ranges \$0.50 - \$5.00 / square foot, adjusted for inflation, based on meeting certain criteria
- Green improvements reducing energy use examples:
 - Interior lighting systems
 - HVAC and hot water systems
 - Building envelope (insulation, windows, etc.)

Research & Development Credit & IRC Sec. 174

- Creates a dollar-for-dollar tax reduction on top of normal operating deductions.
- Qualified activities for the credit
 - Technical Bidding/Estimating/Concept Development
 - Design Development
 - Development of Construction Means & Methods
- Qualified Contract Types
 - Lump Sum, Fixed Price or Milestone Based
 - Design Build, Design Assist, Plan to Spec



Research & Development in Construction

- Developing prototypes and modeling;
- Development of new, improved or more reliable products, processes or techniques;
- Development of environmentally friendly/green methods and processes, or sustainable technology;
- Development of unique assembly or construction methods and processes;
- Experimentation with new building materials;

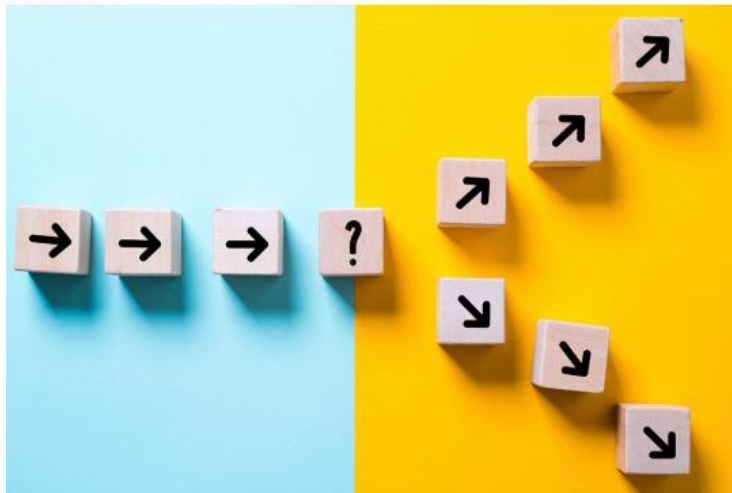


Research & Development in Construction

- Identification of technological improvements in construction processes or to the products and software used;
- Development or adaptation of tools, equipment and/or materials to improve efficiency, or the adaptation of construction techniques to consider environmental or land conditions;
- Adapting equipment or processes to meet new regulatory requirements, which includes innovative scaffolding, safe working processes and automation, fire, health and safety, sound and thermal;
- Design and development of new mechanical and electrical systems into buildings, considering Modern Methods of Construction (MMC) and Building Information Modelling (BIM); and
- Any project that requires an extra level of testing or certification upon completion.



Research & Development Credit & IRC Sec. 174



- Section 174
 - For tax years starting after December 31, 2021
 - Business must capitalize and amortize costs
 - 5-year period for domestic costs
 - 15-year period for foreign costs



Estate Tax

- Tax on the transfer of the estate of a deceased individual
- Applies to property transferred via a will or state law



	2024	2025
Exemption Amount	\$13,610,000	\$13,990,000
Top Tax Rate	40%	40%



Individuals – Tax Brackets & Rates

	2024		2025	
Rate	Single	Married Filing Jointly	Single	Married Filing Jointly
37%	\$609,351	\$731,201	\$626,350	\$751,600
35%	\$243,726	\$487,451	\$250,525	\$501,050
32%	\$191,951	\$383,901	\$197,300	\$394,600
24%	\$100,526	\$201,051	\$103,350	\$206,700
22%	\$47,151	\$94,301	\$48,475	\$96,950
12%	\$11,601	\$23,201	\$11,926	\$23,851
10%	\$11,600	\$23,200	\$11,925	\$23,850



Individuals – Capital Gains Rates & Brackets

Holding Period	2024	2025	
12 months or less	37%	37%	<i>Additional 3.8% net investment tax may apply beyond certain thresholds</i>

Rate	Single	MFJ
0%	\$47,025	\$94,050
15%	\$47,025 - \$518,900	\$94,050 - \$583,750
20%	\$518,900 +	\$583,750 +



IRS Dirty Dozen

- Email phishing scams - phishing & smishing
- Bad social media advice
- IRS Individual Online Account help from scammers
- Fake charities
- False Fuel Tax Credit claims
- Credits for Sick Leave & Family Leave



IRS Dirty Dozen



- Bogus self-employment tax credit
- Improper household employment taxes
- Overstated withholding scam
- Misleading Offers in Compromise
- Ghost tax return preparers
- New client scams and spear phishing

Contact Information

Liyana Aryan, CPA

Senior Tax Accountant, UHY

laryan@uhy-us.com

248-204-9481



Liyana is a Certified Public Accountant (CPA) and seasoned Tax Senior Accountant who specializes in delivering high-quality, strategic tax solutions for individuals, businesses, and multinational corporations across diverse industries, including construction. Her expertise spans tax return preparation and review, R&D credits, accounting methods, and deferred tax issues. Beyond technical expertise, Liyana is known for building long-term client relationships and serving as a trusted advisor. She also plays an active role in firm-wide initiatives, including marketing, recruiting, and business development—contributing to both client success and organizational growth.

The background of the slide is a golden-yellow color with a dense, repeating pattern of various international currency symbols. These symbols, including the dollar sign (\$), euro (€), pound sterling (£), and yen (¥), are rendered in a three-dimensional, embossed style, creating a textured effect. The symbols are scattered across the entire background, with some appearing larger and more prominent than others.

Economic Disruption and Discontent 2025

Geo-Politics
Trade and Tariffs
American Construction

John A. Moore PhD, CPA

Professor of Finance & Economics

Walsh College

jmoore1@walshcollege.edu



Today's Agenda

- Section 1 - Tariffs
 - What exactly are Tariffs and Trade Policy?
 - Let's talk Economic Theory ...
 - Let's talk Geopolitics ...
- Section 2 – Consequences and Ramifications
 - State of the World Economy
 - State of the American Economy
 - What does that mean for Michigan, Manufacturing, You and I ...
- Questions and Answers

It Just so Happens ...

DIGITALCOMMONS
—@WAYNESTATE—

Wayne State University

Wayne State University Dissertations

1-1-2013

Interests And Ideas: Industrialization And The Making Of Early American Trade Policy, 1789 - 1860

John Austin Moore
Wayne State University,

Section 1

Tariffs

What exactly are Tariffs and Trade Policy?



What Exactly are Tariffs?

A tax charged upon an imported good

Ad valorem

Specific

Compound

A tax charged on a foreign carrier

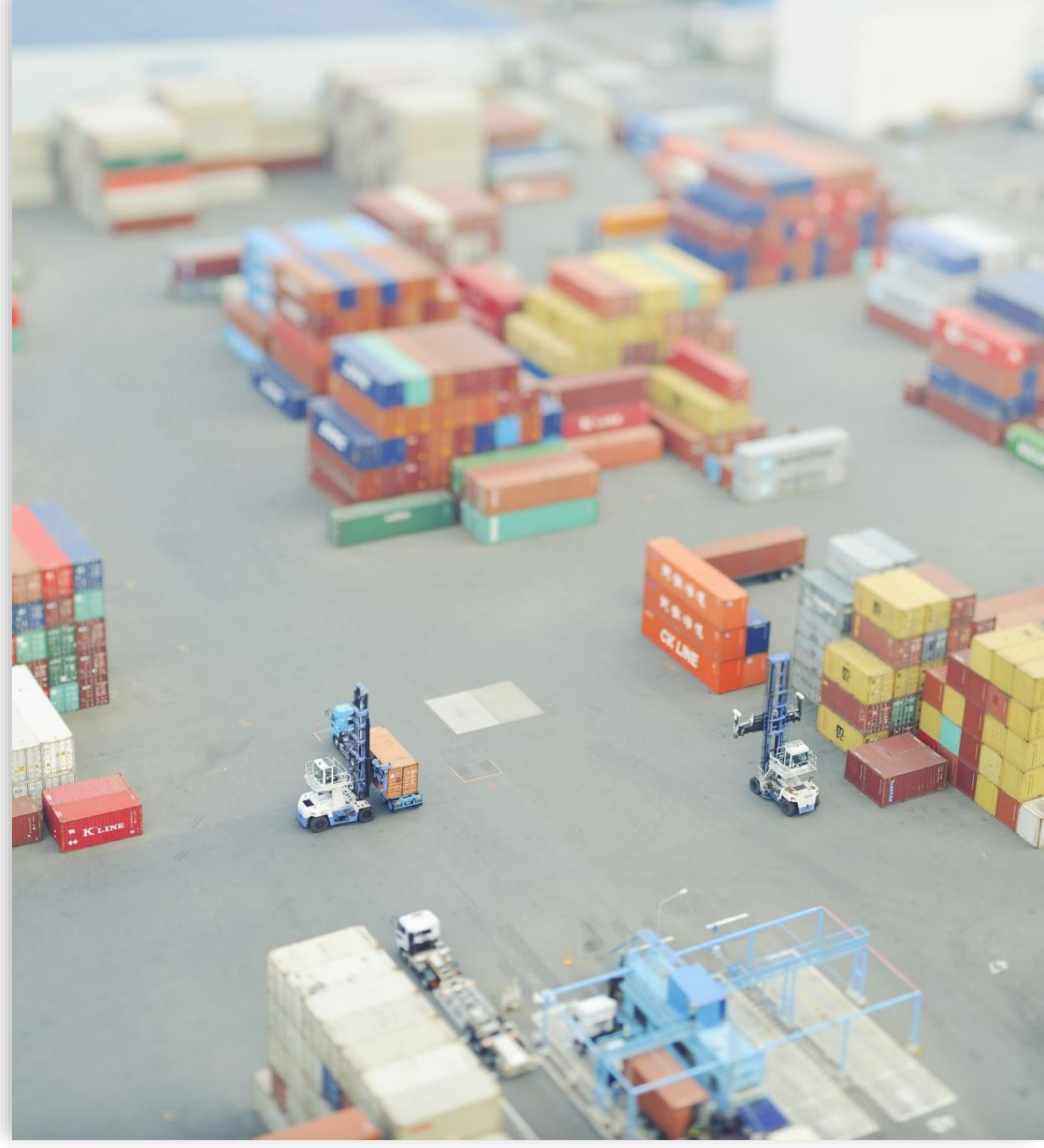


Where does the Charge Actually Happen?

Port of Entry

Payment by the Importer of Record

Collection by the Domestic Nation State



Why Have a Tariff?



Revenues



Protection for National Producers

An Historical Perspective ...



- The Founding of the American Republic (1789)
- First order of business ... the Tariff of 1789
 - Needed money!!
- Two Ideological and Economic camps ...
 - Nationalists ... Alexander Hamilton
 - Free Traders ... James Madison

At Issue ...

American manufacturers

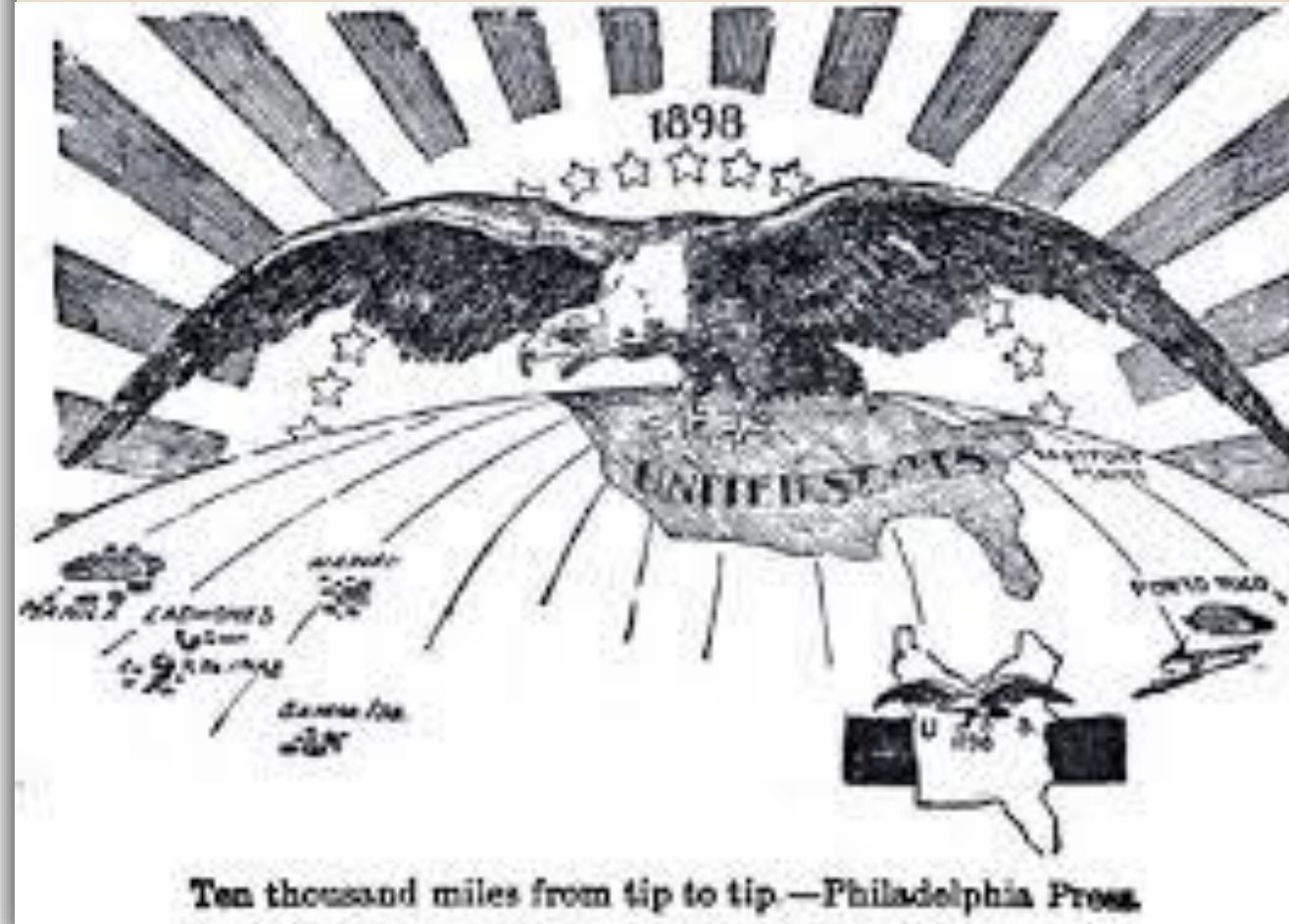
Inferior production quality

High Investment costs

National Existence

Military

Economic



From the Founding to World War II



The United States was protectionist with Trade Policy

American manufacturing grew significantly

- Inconsequential in 1800
- Leading world power in 1900

Constant Themes ...

- Protection
- Free Trade

“Famous” Tariffs



The Tariff of
Abominations (1828)

Fordney-McCumber
Tariff (1921)

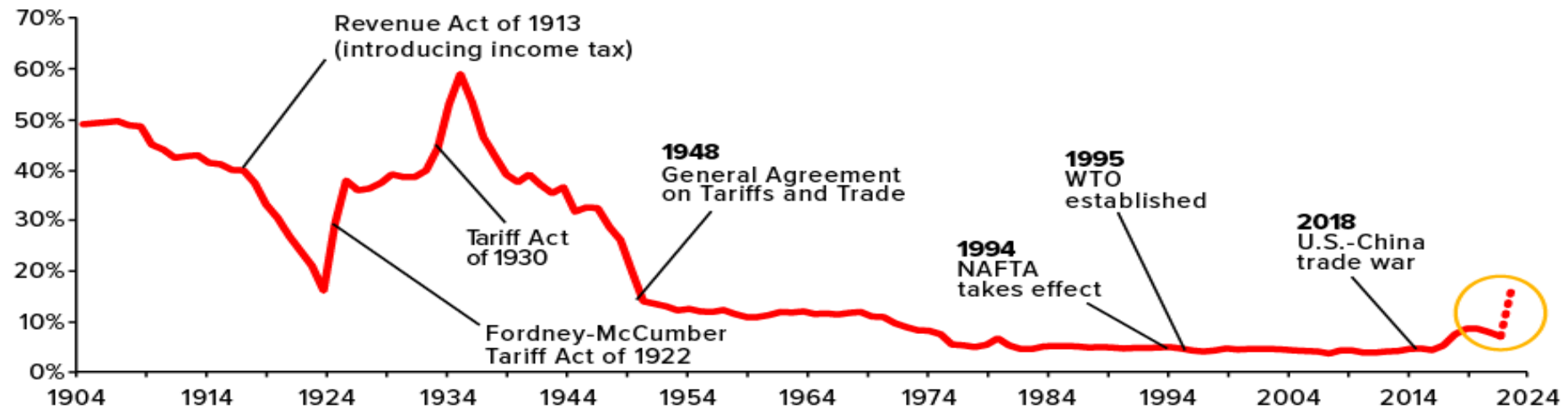
Smoot Hawley Tariff
(1930)

Since World War II ...

- Bretton Woods (1944)
- General Agreement of Trade and Tariffs (GATT)
- World Trade Organization

Trump's Tariff Increases Would Be the Largest Since World War II

Average Tariffs on Dutiable Imports | 1900 – 2024



Source: PIIIE, U.S. Global Investors

Section 1

Tariffs

Let's talk Economic Theory



The Impact of Tariffs ... an example

- Variables
 - Great Britain can manufacture a plate, silverware and cup set for \$3
 - The competing American product is produced for \$6
 - The British product is currently retailing for \$4
- The problem ... American manufacturers are in trouble!!
- The solution ... Slap a \$5 tariff on the British import
- Revised scenario ... American good produced at \$6, British now a cost of \$8

Rent Seeking ...

- Take the previous example ...
 - Good News! American manufacturers become sustainable
 - Bad News! American consumers spend more for plates, cups, utensils
- The manufacturing folks get economic gain at the expense of consumers
- Best rent seeking scenarios
 - Small group of beneficiaries get a lot of economic gain per capita
 - Large group of consumers pay a small amount of economic loss per capita

Think Free Trade ...

Ideas

- Adam Smith
- David Ricardo

International trade

- Comparative Advantage
- Efficiencies

The Professor takes a stand ...

- April 2025 Declaration by Economists (anti-tariff.org)
- Free trade creates the greatest level of efficiency in economic production.
- More output to more people
 - More prosperity
 - Less poverty
- Tariffs cause less output

Section 1

Tariffs

Let's talk Geopolitics ...





Jimmy Madison Speaks (April 1789)

- “the system must be such a one, that, while it secures the object of revenue, it shall not be oppressive to our constituents ... the general regulation of commerce ... ought to be as free as the policy of nations will permit.”
- But, a few carve-outs ...
 - Funding the Federal government
 - Retaliation against a foreign discriminatory trade policy
 - Items necessary for national defense
 - In times of war

So, what about now?

The Cold War (1945 – 1990)

The United States vs Soviet Union

Economic, political and military

Korea, Vietnam etc. ...



A New Set of Issues ... China



Political

- Communism vs Popular government

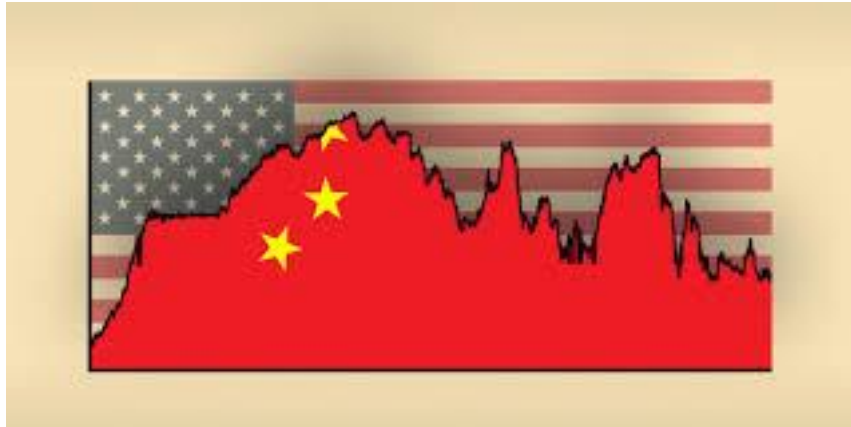
Military

- Taiwan

Economic

- Manufacturing

Two Major American Objectives



Confrontation with China

- Inevitable
- Economic is preferable to military

Retrenching American Manufacturing

- Promoting manufacturing jobs
- Creates military and economic strength



Will it all Work?

- We simply don't know at this juncture
- In light of higher tariffs
 - Short-term may be acceptable for geo-political purposes
 - Long-term can cause significant economic harm at the global and domestic level

Section 2

Consequences and Ramifications

State of the World Economy

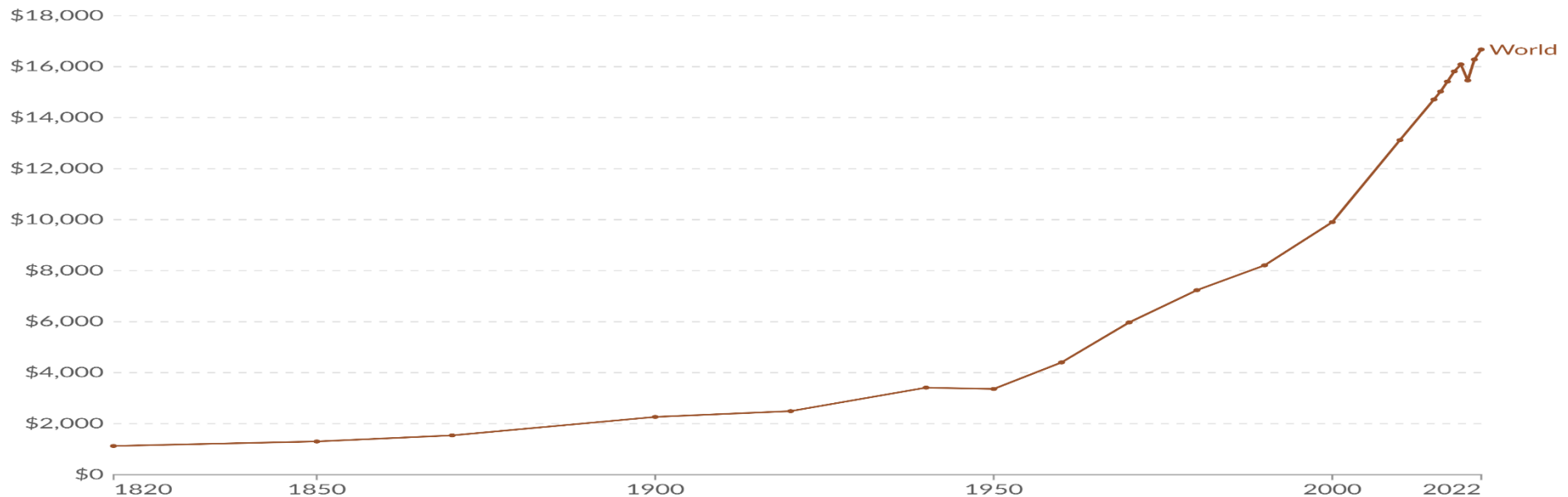


Global Productivity

GDP per capita, 1820 to 2022

Our World
in Data

This data is adjusted for inflation and for differences in living costs between countries.



Data source: Bolt and van Zanden - Maddison Project Database 2023

OurWorldinData.org/economic-growth | CC BY

Note: This data is expressed in international-\$¹ at 2011 prices.

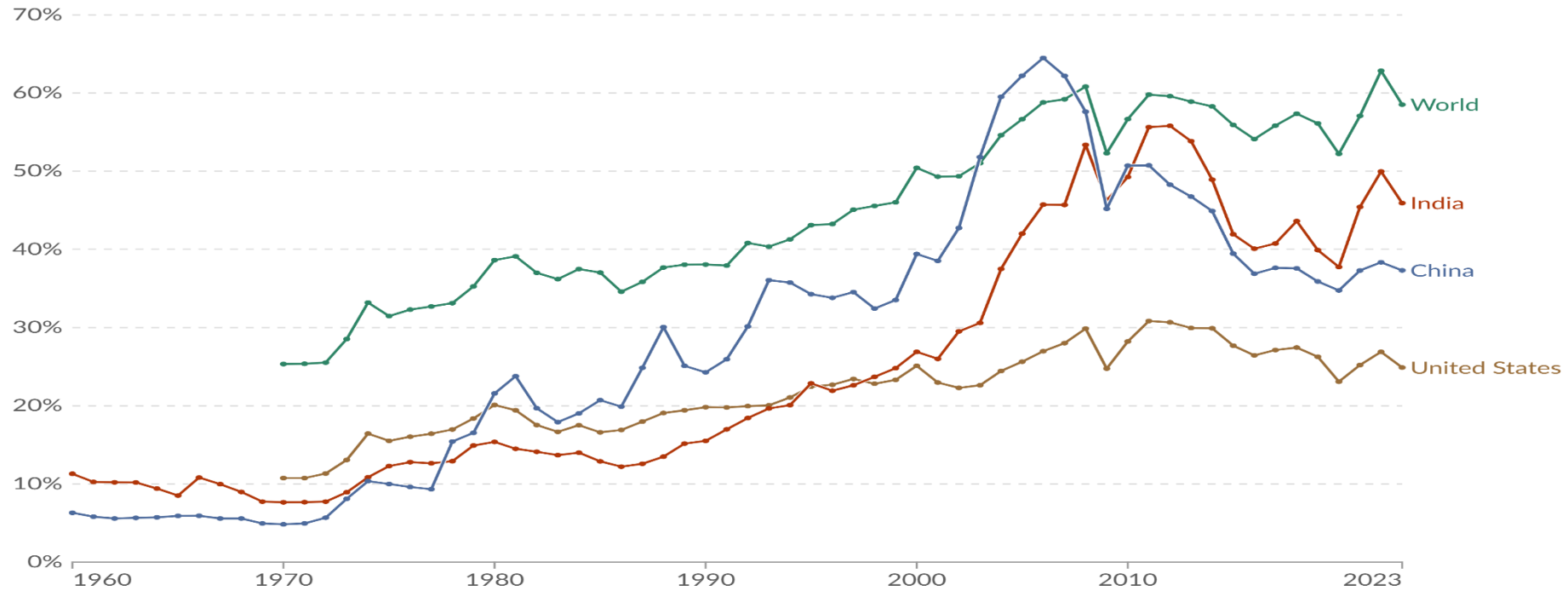
1. International dollars: International dollars are a hypothetical currency that is used to make meaningful comparisons of monetary indicators of living standards. Figures expressed in constant international dollars are adjusted for inflation within countries over time, and for differences in the cost of living between countries. The goal of such adjustments is to provide a unit whose purchasing power is held fixed over time and across countries, such that one international dollar can buy the same quantity and quality of goods and services no matter where or when it is spent. Read more in our article: [What are Purchasing Power Parity adjustments and why do we need them?](#)

Global Trade as a Percent of GDP

Trade as a share of GDP, 1960 to 2023

Our World
in Data

Sum of exports and imports of goods and services, divided by gross domestic product, expressed as a percentage. This is also known as the "trade openness index".



Data source: World Bank and OECD (2025)

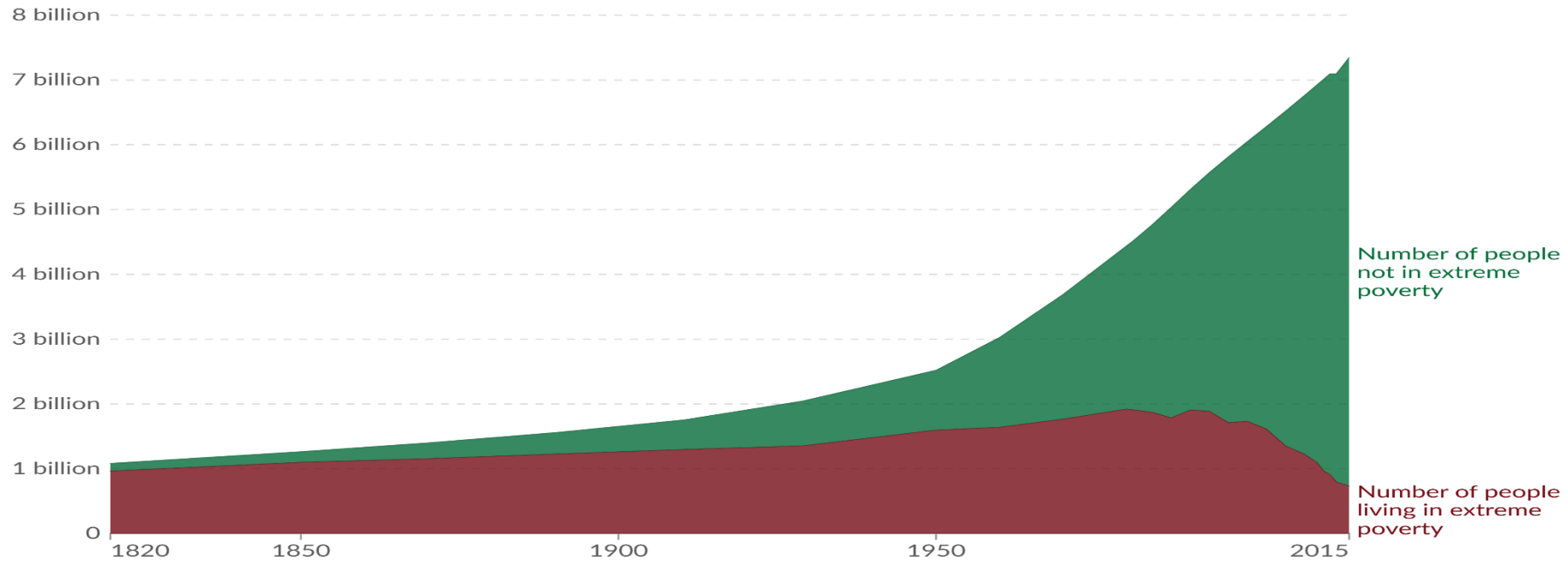
OurWorldinData.org/trade-and-globalization | CC BY

Global Extreme Poverty

World population living in extreme poverty, World, 1820 to 2015



Extreme poverty is defined as living on less than 1.90 international-\$ per day. International-\$ are adjusted for price differences between countries and for price changes over time (inflation).



Data source: Ravallion (2016) updated with World Bank (2019)

OurWorldinData.org/poverty | CC BY

Note: See [this link](#) for the strengths and limitations of this data and how historians arrive at these estimates.

Section 2

Consequences and Ramifications

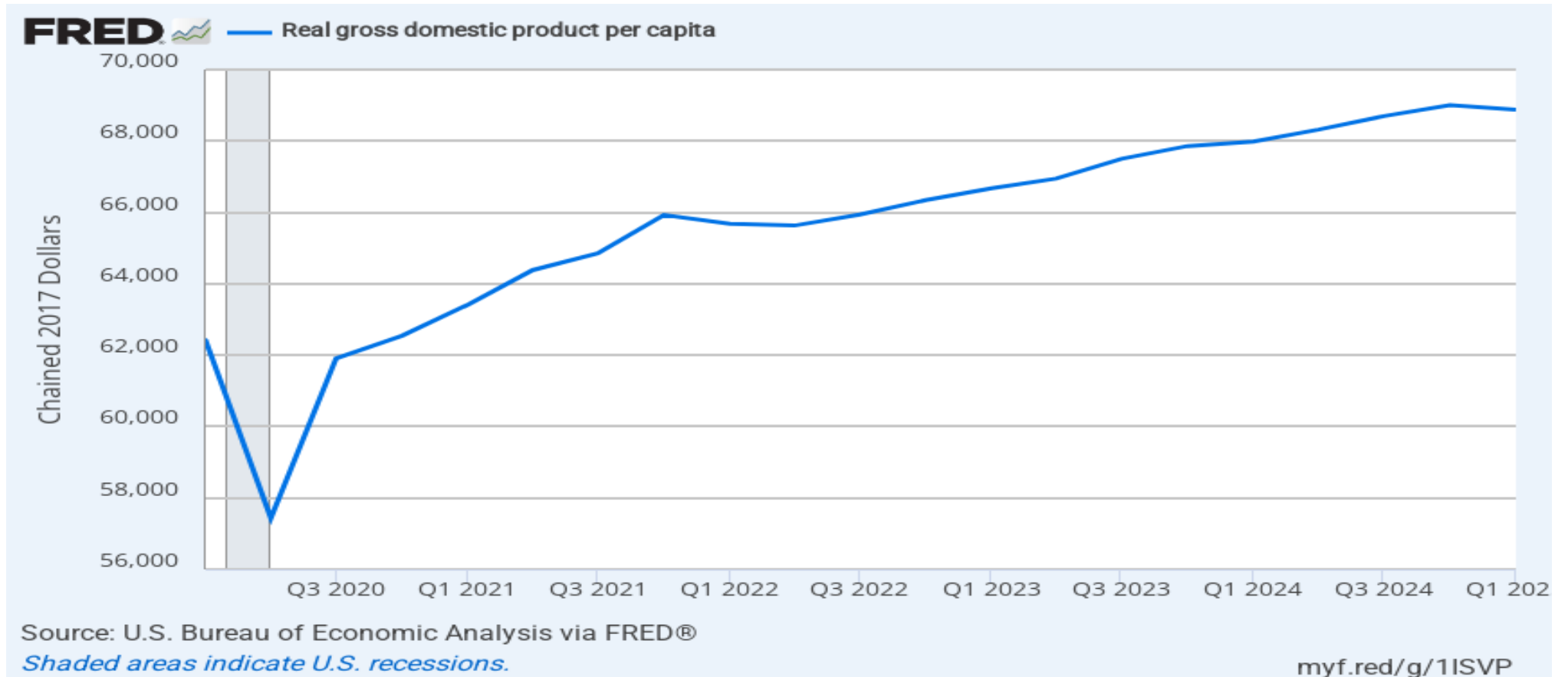
State of the American Economy



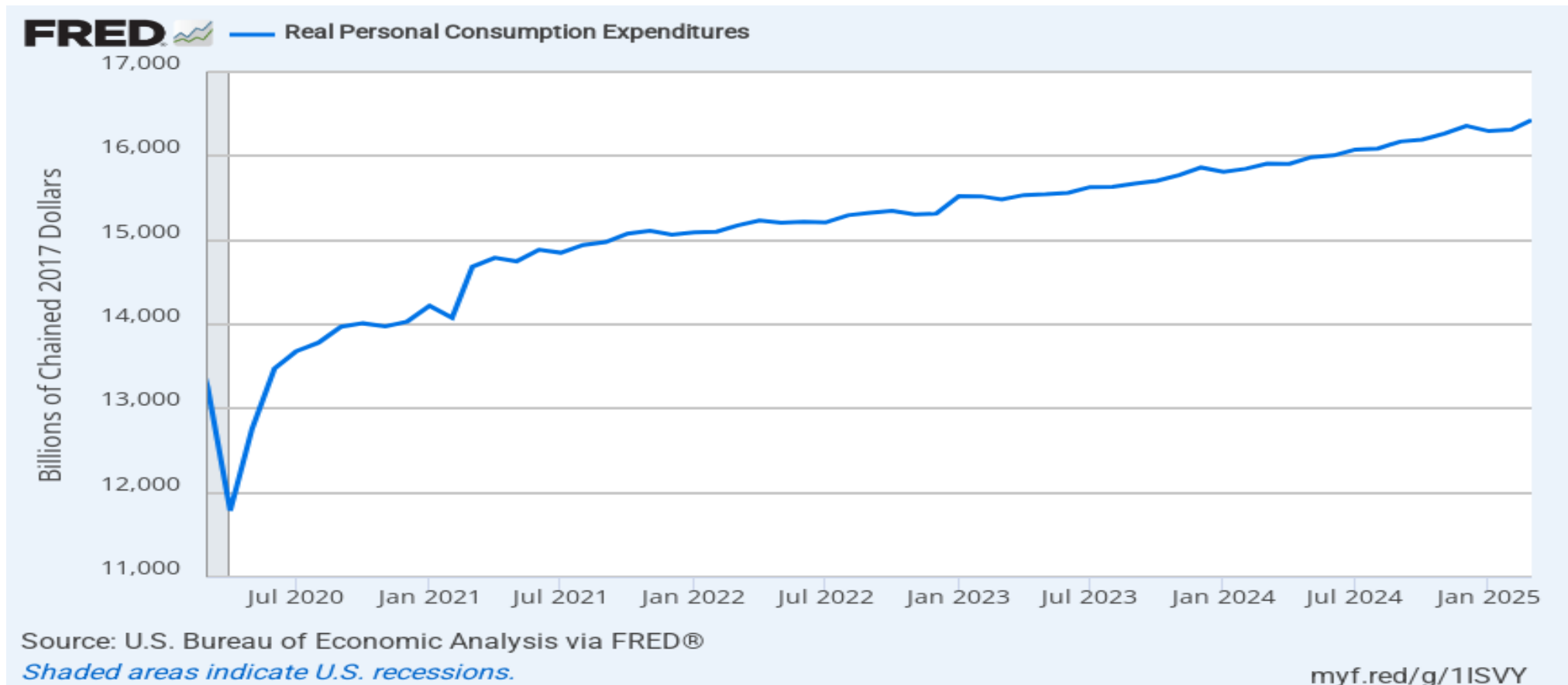
Headlines ...

- **May 7, 2025 US News and World Report: Wall Street Wavers as China Shores up Its Economy Ahead of Trade Talks With the US**
- **May 2, 2025 BBC News: US jobs grow by more than expected despite tariff turmoil**
- **April 30, 2025 Wall Street Journal: U.S. Economy Shrank in First Quarter as Imports Surged Ahead of Tariffs**

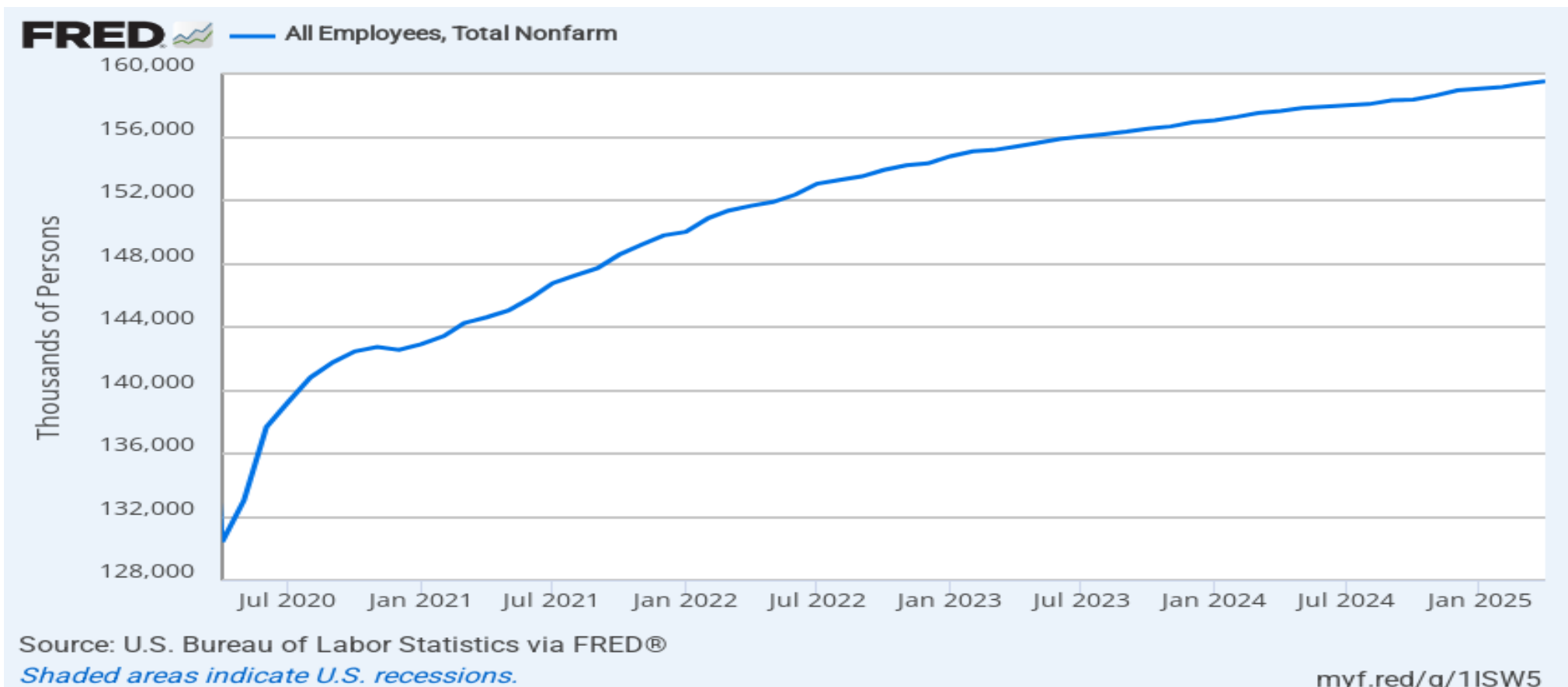
Data – Real GDP Per Capita



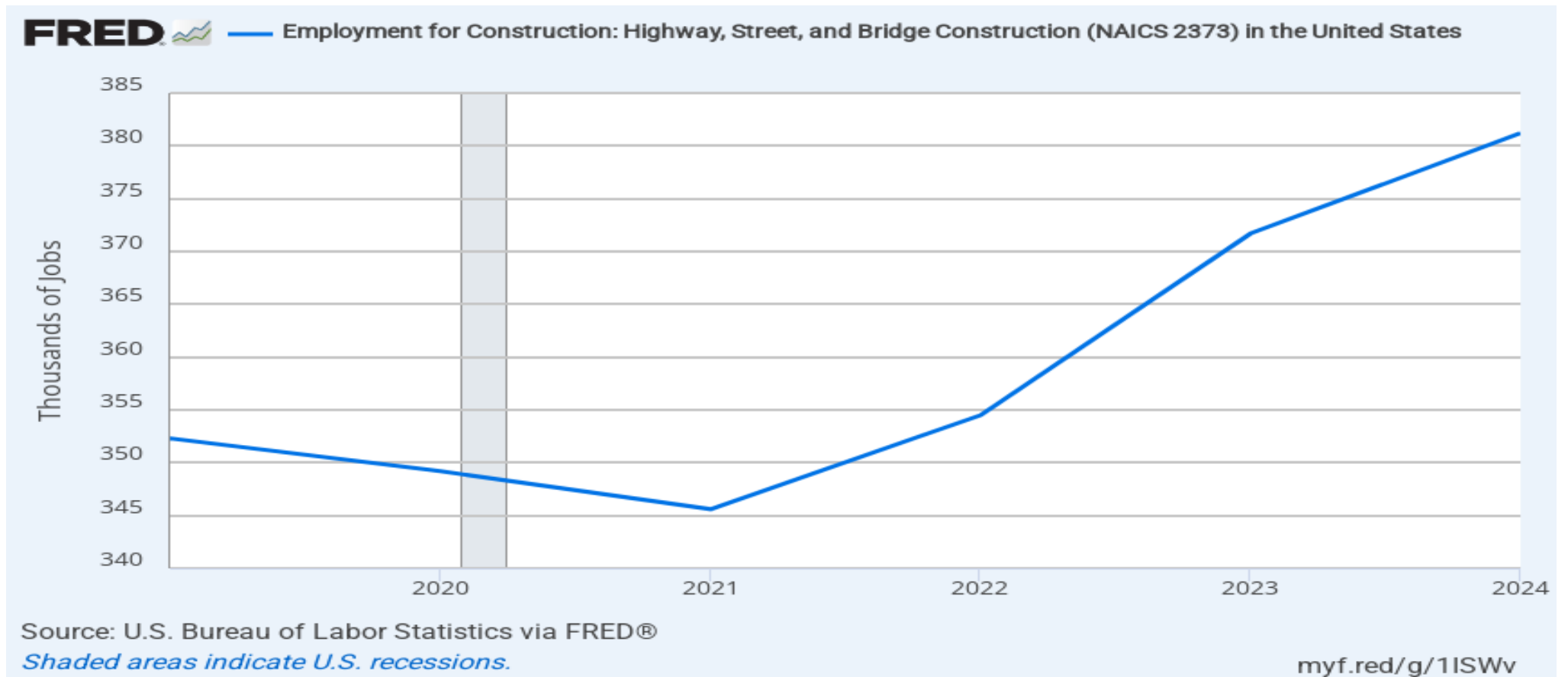
Data – Consumer Spending



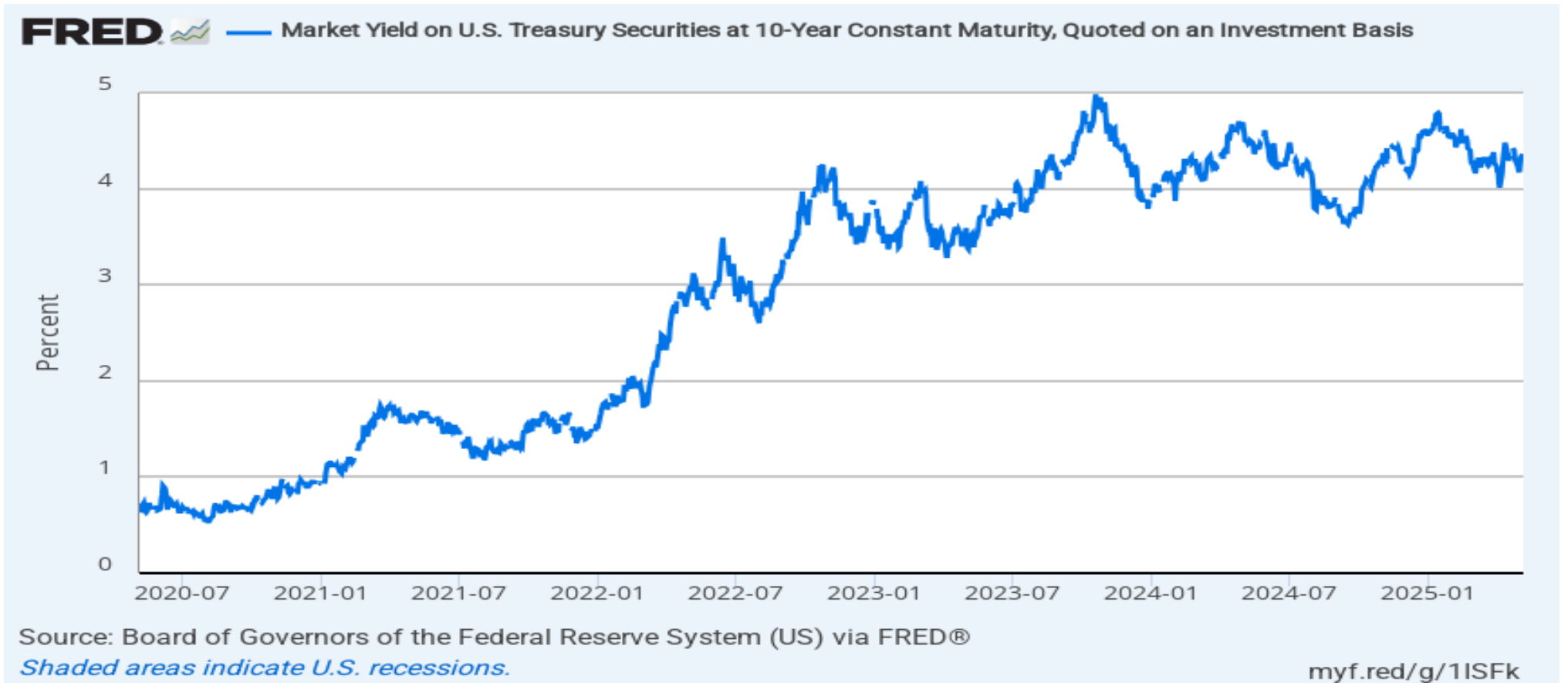
Jobs ...



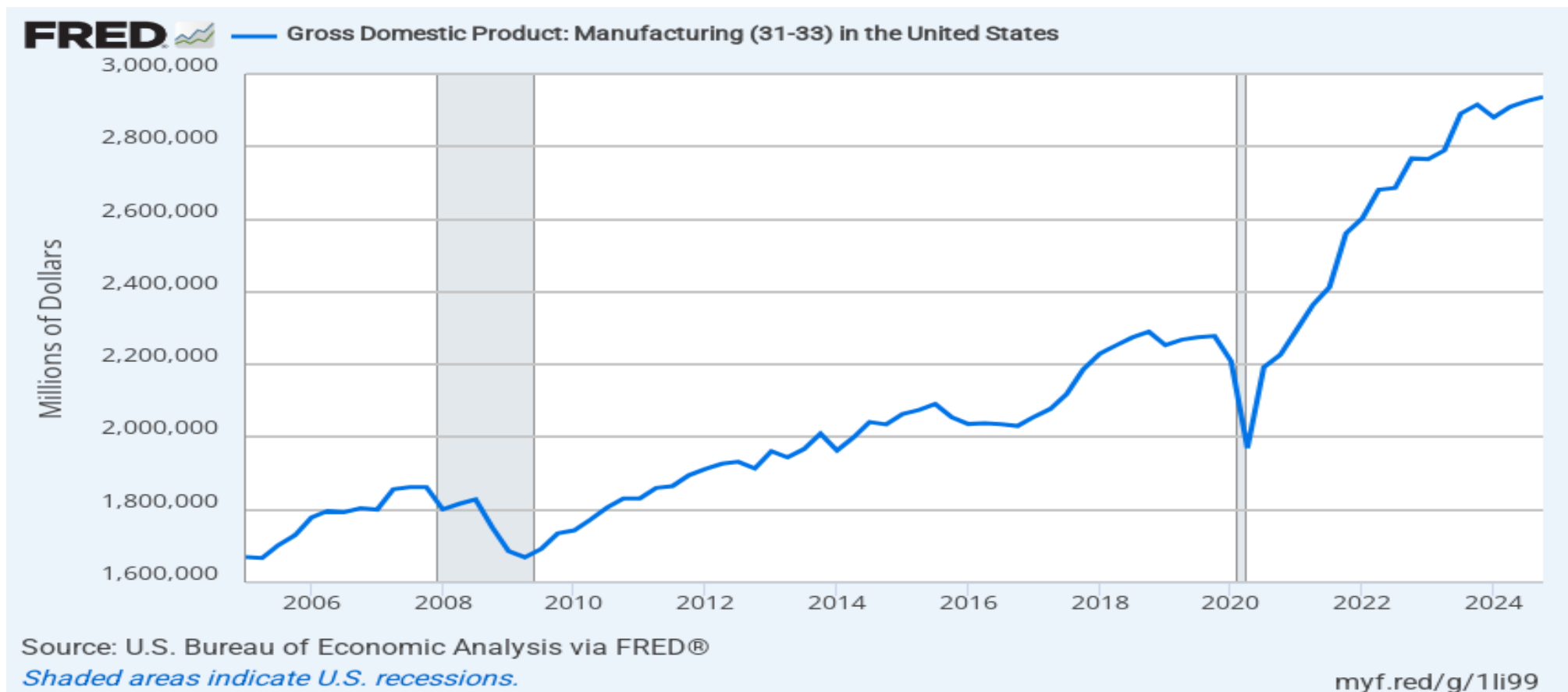
Construction Jobs



Ten Year United States Treasury Yields



American Manufacturing GDP



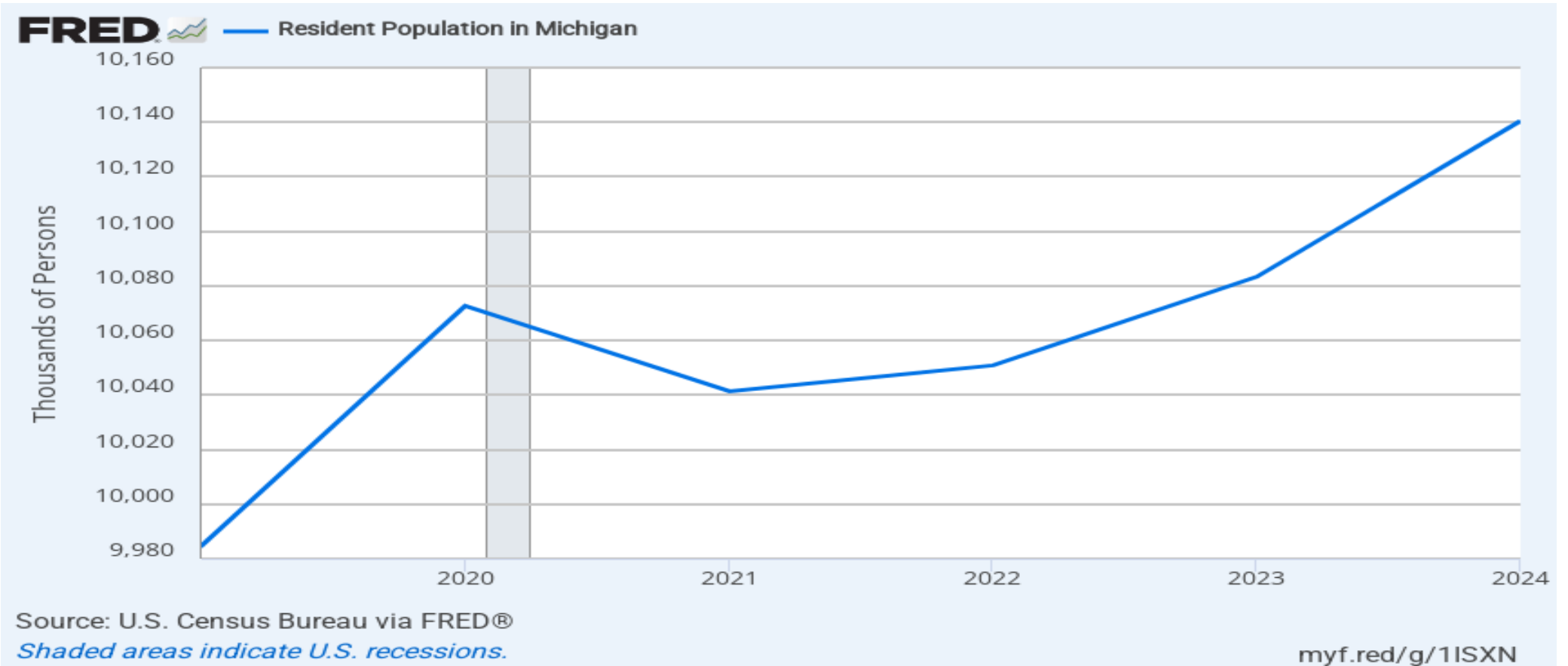
Section 2

Consequences and Ramifications

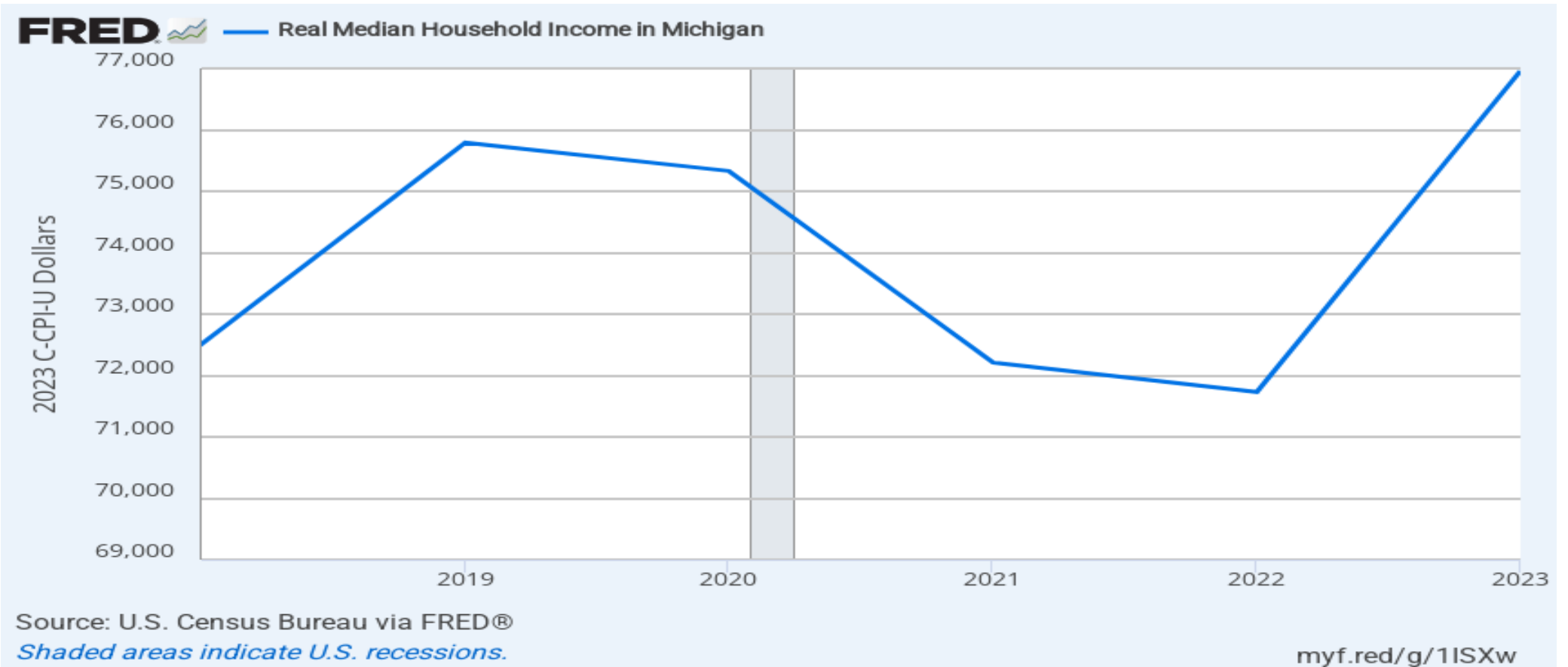
What does that mean for Michigan, Manufacturing, You and I ...



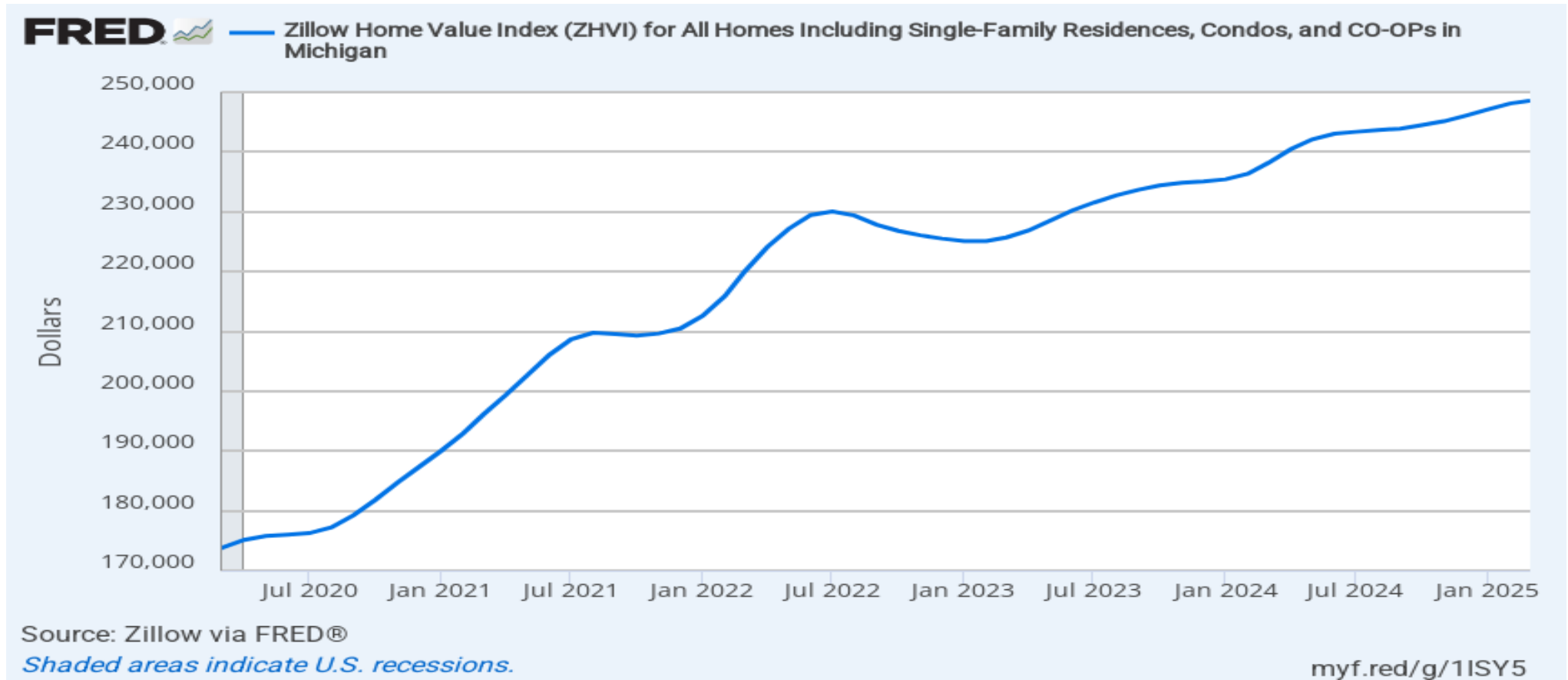
Michigan - Population



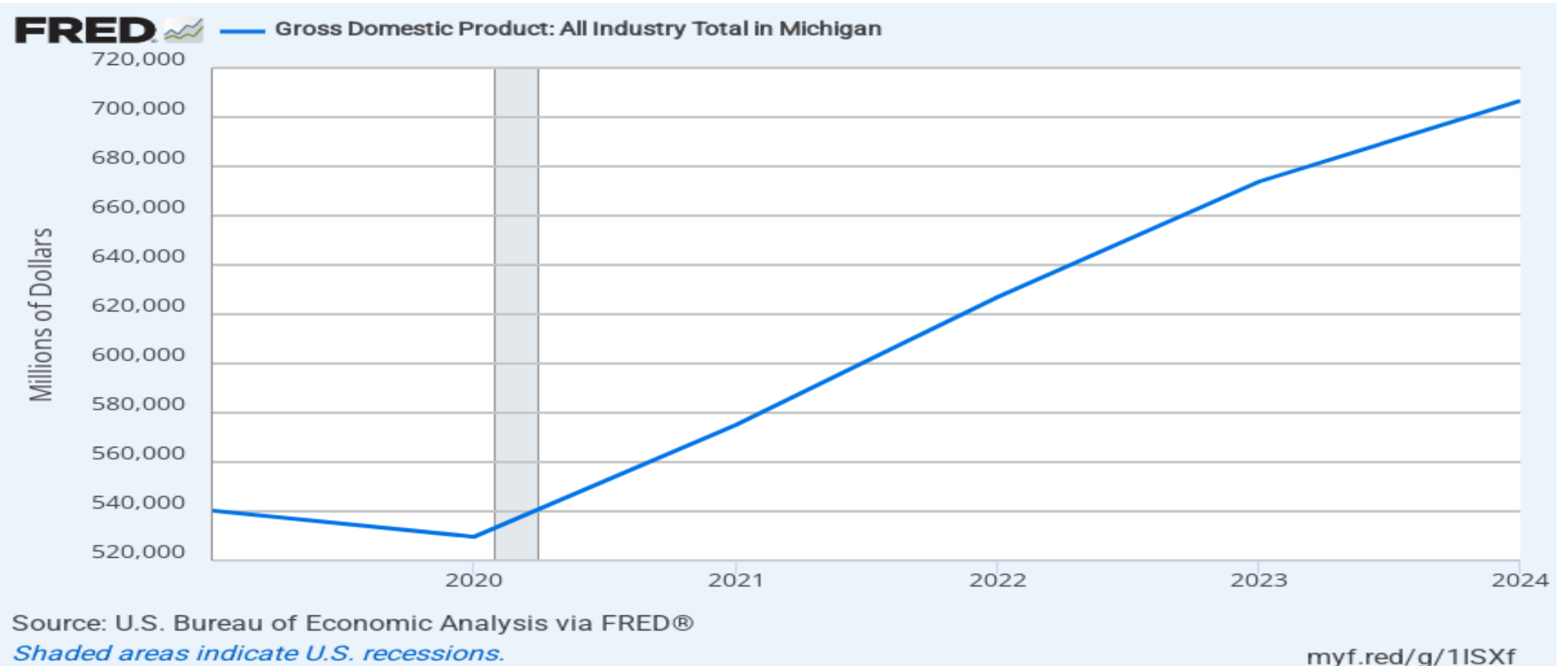
Michigan – Median Household Income



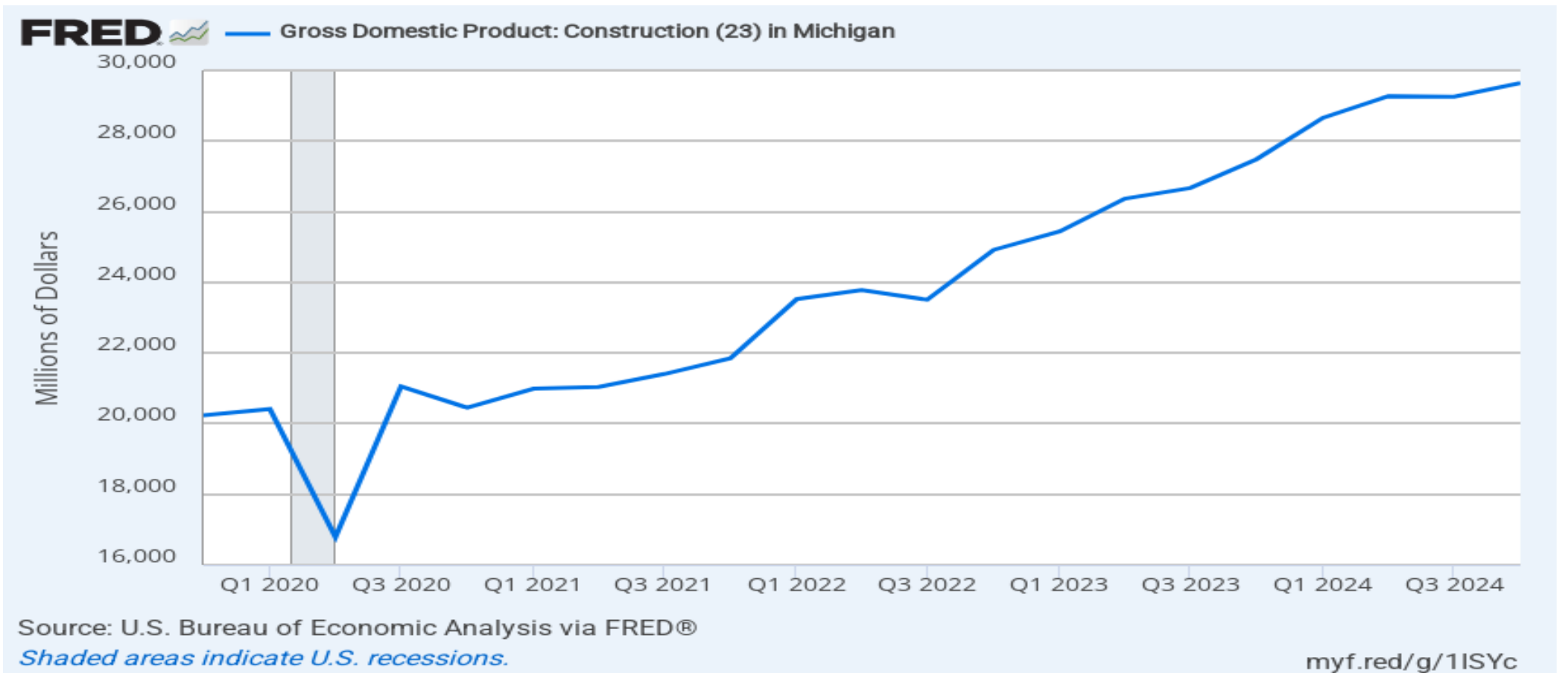
Michigan – Housing Values



Michigan – Industrial Production



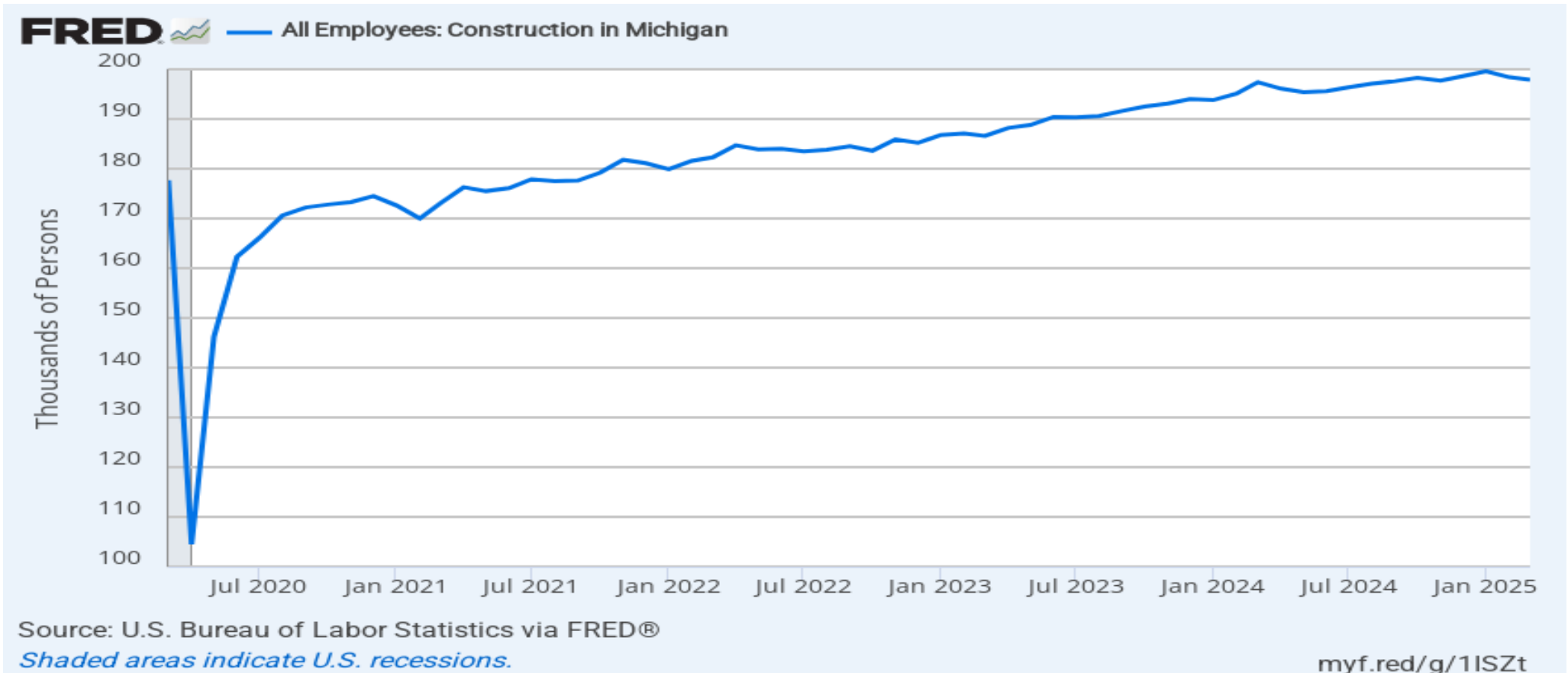
Michigan - Construction



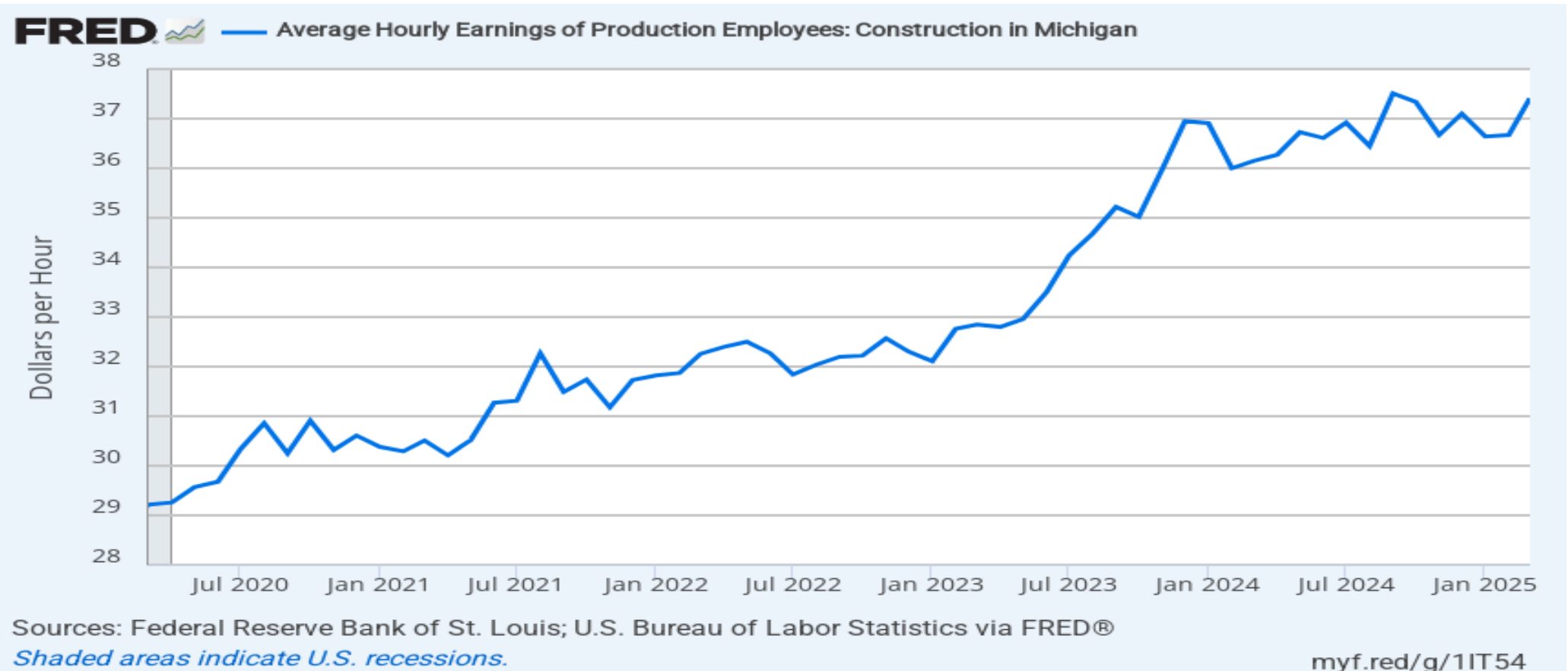
But, What About Michigan Construction?

A Mixed Set of Messages ...

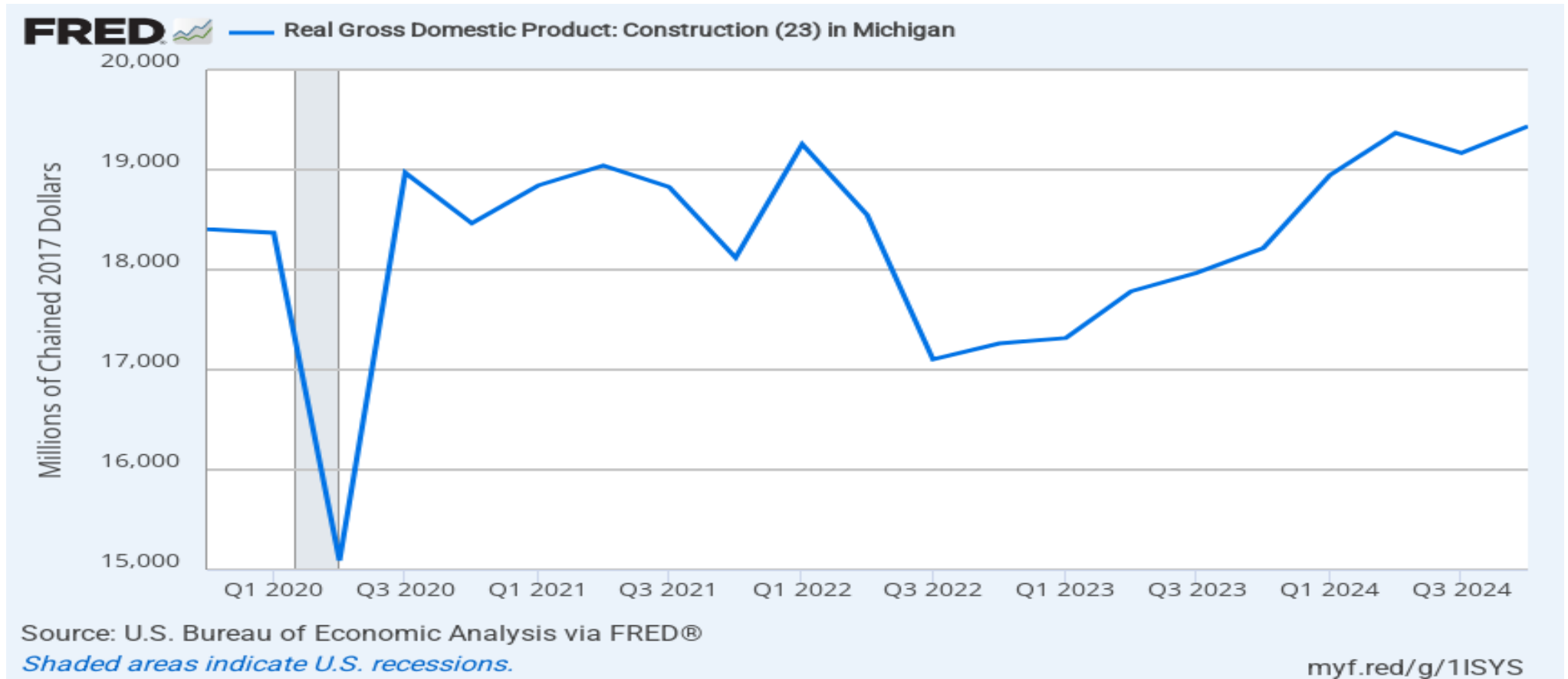
Michigan – Construction Employment



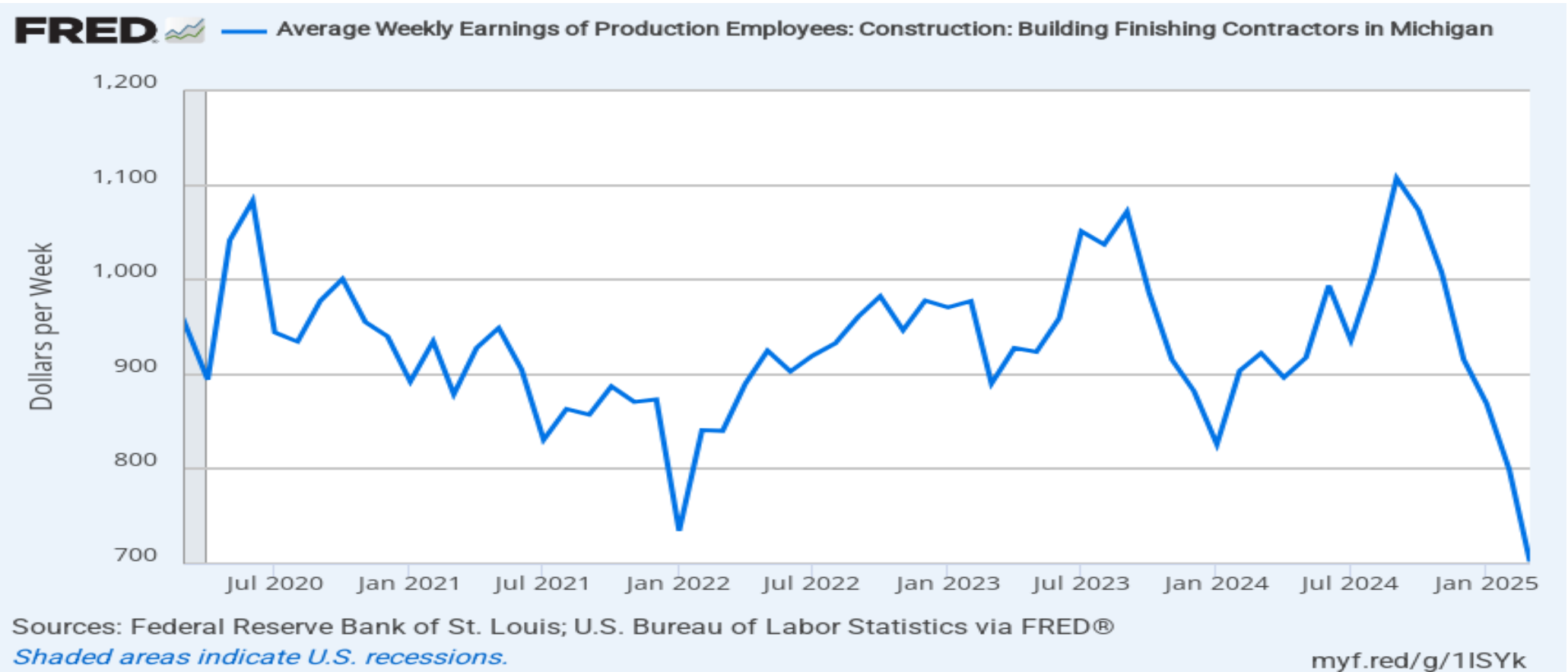
Michigan – Construction Wages



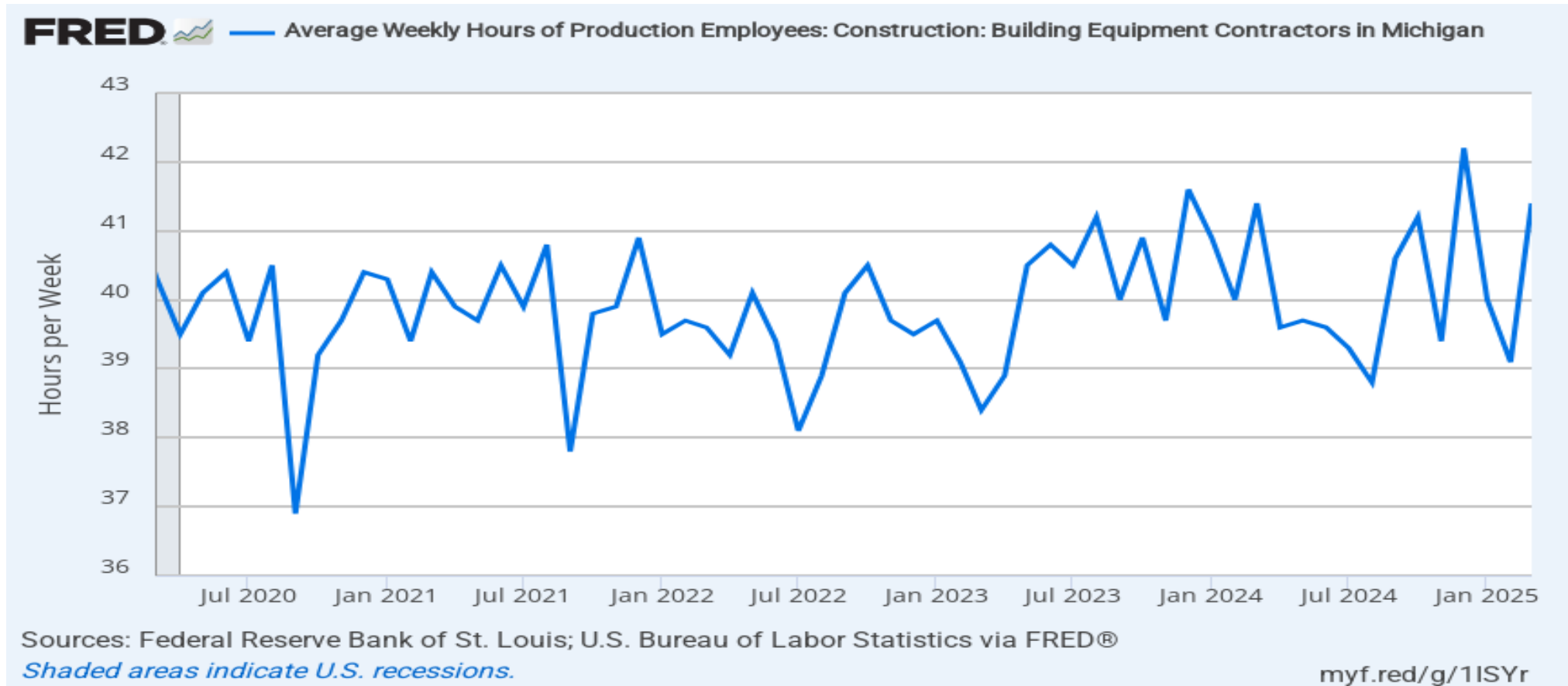
Michigan – Construction Real GDP



Michigan - Construction Finishing Wages



Michigan – Construction Machine Worker Hours



Let's Wrap Up!

Making sense of it all ...

Manufacturing Jobs 2024

(<https://www.industryselect.com/blog/top-10-us-states-for-manufacturing>)

State	Number of Manufacturing Companies	Number of Manufacturing Jobs
California	22,255	1,350,085
Texas	17,169	1,101,992
Ohio	14,432	861,080
Illinois	13,975	722,894
Michigan	11,863	704,502
Pennsylvania	13,005	693,521
New York	13,328	632,888
Indiana	8,017	586,952
Wisconsin	8,966	576,757
North Carolina	8,410	548,851

Michigan Rankings <https://www.usnews.com/news/best-states/Michigan>

GDP

\$706.6 Billion

College Educated

42.4%

Population

10,140,459

Median Income

\$41,662

RANKINGS SCORECARD

- **Crime & Corrections#39**
- **Economy#33**
- **Education#45**
- **Fiscal Stability#38**
- **Health Care#22**
- **Infrastructure#44**
- **Natural Environment#32**
- **Opportunity#23**

Side by Side ...

	MI	OH	IN	IL
Crime	39	31	21	15
Economy	33	39	40	42
Education	45	30	19	14
Fiscal	38	25	33	50
Health	22	34	35	24
Infrastructure	44	30	20	22
Nature	32	41	50	45
Opportunity	23	17	16	35
Overall	43	38	33	36

Dr. Moore's Assessment – Big Picture Principles

Think the Long Game!

Geopolitics ... an ongoing Sino-American rivalry

A National Goal to revive American Manufacturing

Dr. Moore's Assessment – Predictions



Tariffs with most allies will be quiet by end of calendar 2025



Expect a long-term economic stand off with China



American reindustrialization

Manufacturing
Military

Dr. Moore's Assessment – Consequences

The Economy

- Continued uncertainty and disruption in 2025
- Trending upward at an uneven rate

Issues

- A long lead time to reindustrialize
- Likely investment in the Midwest (logical and political)

Decisions ... to ramp up or not ... and when

- Capital investments
- Labor

Last Word ...

- 2025 – uncertainty
- 2026 to 2028 – increasing manufacturing in the American Midwest
- Michigan is well placed!

- **An environment for prudent aggressiveness ...**
 - Manufacturing begets jobs ..
 - Which begets industrial, retail and housing
 - And Michigan requires infrastructure improvements

Wrapping it up

Questions

Comments





KOTZ SANGSTER

ATTORNEYS AND COUNSELORS AT LAW

Earned Sick Time Act (ESTA) & Improved Workforce Opportunity Wage Act (IWOWA)

Legal Updates, May 2025

Erika Ruskin, Attorney & Senior Counsel

ERuskin@kotsangster.com • (248) 646-2073 • kotsangster.com

Introduction

Introduction

- **The Michigan Earned Sick Time Act (ESTA) and the Improved Workforce Opportunity Wage Act (IWOWA), were originally passed by voters in 2018, and reinstated by the Michigan Supreme Court on July 31, 2024. The laws took effect on February 21, 2025.**
 - The laws both require changes made by employers to incorporate the required expanded sick leave and a higher minimum wage.
 - ESTA requires employers to provide employees with earned sick time, allowing them to take paid time off for illness, injury, or other family needs.
 - IWOWS sets the minimum wage in Michigan, including an accelerated schedule for minimum wage increases, starting at \$12.48 on February 1, 2025.

Improved Workforce Opportunity Wage Act (IWOWA)

Improved Workforce Opportunity Wage Act (IWOWA)

- **As of February 1, 2025 there is a scale for minimum wage increases:**
 - February 21, 2025 - \$12.48
 - January 1, 2026 - \$13.73
 - January 1, 2027 - \$15.00

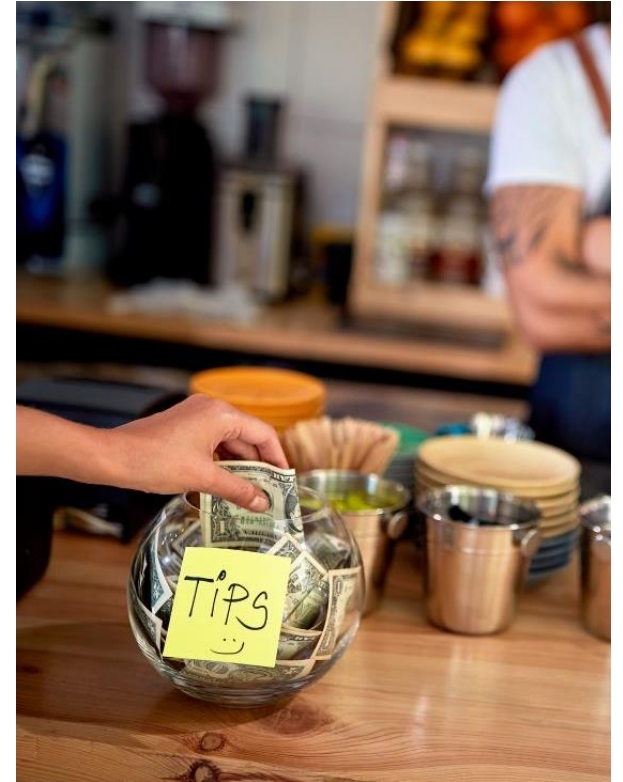


Improved Workforce Opportunity Wage Act (IWOWA)

- **Thereafter, beginning in October 2027, the state treasurer will calculate a new minimum wage and publish the new rate by November 1, with any increase to be effective as of January 1 of the following year.**
 - Increases calculated beginning in October 2027 will be based on the 12-month percentage increase of the Consumer Price index for the Midwest Region.
 - Increases will not go into effect in any year for which the unemployment rate was higher than 8.5% in the preceding year.

Improved Workforce Opportunity Wage Act (IWOWA)

- **As of February 1, 2025 there is a scale for minimum wage increases for tipped employees:**
 - February 21, 2025 – tipped employees must be compensated at a rate of 38% of the general minimum wage
 - This rate increases by 2% each year thereafter, effective January 1, until reaching a minimum wage requirement of 50% of the general minimum wage for tipped employees, effective January 1, 2031.



Michigan Earned Sick Time Act (ESTA)

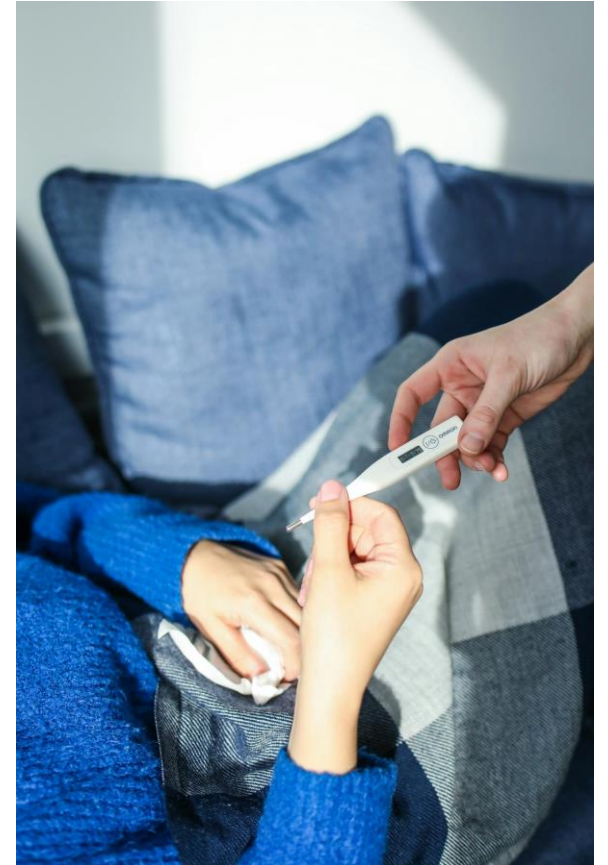
Michigan Earned Sick Time Act (ESTA)

- **General:** ESTA requires most employers to provide covered employees one hour of paid time for every 30 hours worked, or frontload 72 hours of paid time, allowing for a prorated amount to part-time employees.
- **Covered Employees:**
 - ESTA applies to all employees in Michigan, including part-time, temporary, and exempt employees, except federal government employees.
 - Waiting Period – employers can implement a 120-calendar day waiting period* to use accrued earned sick time.

* NOTE: The Department of Labor and Economic Opportunity has taken the position that only accrual employers, not frontload employers, may require a waiting period.

Michigan Earned Sick Time Act (ESTA)

- **Covered Employees:**
 - Small Business Exceptions:
 - Employers with 10 or less employees are exempted from ESTA until October 1, 2025
 - As of October 1, 2025 these small businesses are to provide 40 hours of paid time, through accrual or frontloading
 - Small businesses that had no employees as of February 1, 2025 are exempted until October 1, 2028



Michigan Earned Sick Time Act (ESTA)

- **Covered Employees**

- Bargaining Unit Employees: Employees covered by a current collective bargaining agreement or other contract are **not covered by ESTA until the expiration of the bargaining agreement**. If the agreement is silent as it relates to sick time or sick leave benefits, the employees covered by the agreement are covered by ESTA, unless they are employed by a small business.
- Contract Employees: under certain circumstances, contract employees are also excluded from coverage, if such an agreement is in conflict with ESTA.

Michigan Earned Sick Time Act (ESTA)

- **Permitted Uses: Employees may use earned sick time for various reasons, including:**
 - The employee's or the employee's family member's mental or physical illness, injury, or health condition; medical diagnosis, care, or treatment of the employee's or the employee's family member's mental or physical illness, injury, or health condition; or preventative medical care for the employee or the employee's family member
 - If the employee or the employee's family member is a victim of domestic violence or sexual assault, for medical care or psychological or other counseling for physical or psychological injury or disability; to obtain services from a victim services organization; to relocate due to domestic violence or sexual assault; to obtain legal services; or to participate in any civil or criminal proceedings related to or resulting from the domestic violence or sexual assault

Michigan Earned Sick Time Act (ESTA)

- **Permitted Uses (cont'd):**
 - For meetings at a child's school or place of care related to the child's health or disability, or the effects of domestic violence or sexual assault
 - For closure of the employee's place of business by order of a public official due to a public health emergency; for an employee's need to care for a child whose school or place of care has been closed by order of a public official due to a public health emergency; or when it has been determined by the health authorities having jurisdiction or by a health care provider that the employee's or employee's family member's presence in the community would jeopardize the health of others because of the employee's or family member's exposure to a communicable disease, regardless of whether the employee or family member has actually contracted the communicable disease

Michigan Earned Sick Time Act (ESTA)

For purposes of ESTA, “family members” include:

- Biological, adopted or foster child, stepchild or legal ward, a child of a domestic partner, or a child to whom the employee stands in loco parentis.
- Biological parent, foster parent, stepparent, or adoptive parent or a legal guardian of an employee or an employee’s spouse or domestic partner* or a person who stood in loco parentis when the employee was a minor child.
- Grandparent.
- Grandchild.
- Biological, foster, or adopted sibling.
- Any other individual related by blood.

* “Domestic partner” means an adult in a committed relationship** with another adult, including both same-sex and different-sex relationships.

** “Committed relationship” means one in which the employee and another individual share responsibility for a significant measure of each other’s common welfare.

Michigan Earned Sick Time Act (ESTA)

- **Leave Accrual and Usage:**
 - Accrual Rates: Leave is to be accrued at a rate of one hour for every 30 hours worked, the usage of which may be capped at 72 hours of leave per year (and 40 paid hours and an additional 32 hours of unpaid hours for small businesses).
 - Frontloading:
 - Employers may elect to frontload all required leave under ESTA, cutting off any obligation to carry over any unused, accrued leave.
 - For part-time employees, employers may elect to offer a pro-rated amount of frontloaded leave with a “true up” if they work more hours than expected.

Michigan Earned Sick Time Act (ESTA)

- **Leave Accrual and Usage (cont'd):**
 - Carryover: Employers may cap the amount of accrued but unused leave that carried over to the next year at 40 or 72 hours per year, depending on the size of the employer.
 - Payout upon Termination: Employers are not required to pay out unused time upon termination.

Michigan Earned Sick Time Act (ESTA)

- **Paid Time Off (PTO) Policies:**

- PTO policies can satisfy ESTA requirements as long as employees receive at least the same amount of time required under ESTA, the paid time is available for absences covered by ESTA, and the policy meets all other requirements of ESTA.
- Alternatively, employers may choose to provide separate leave specifically to satisfy ESTA.

NOTE: If an employer frontloads sick leave, the employer can recoup leave used more than what would have accrued as of the date of separation provided that the deduction does not reduce the final paycheck to less than minimum wage and the employer obtained a prior, written, voluntary agreement for the deduction.

Michigan Earned Sick Time Act (ESTA)

- **Pay Rate:**
 - The given pay rate for earned sick time is now the greater of the employee's base wage (or hourly wage) or the minimum wage under IWOWA.
 - Employers do not have to include overtime pay, holiday pay, bonuses, commissions, supplemental pay, piece rate pay, tips, or gratuities in calculating base/hourly wage for ESTA-covered time.

Michigan Earned Sick Time Act (ESTA)

- **Administration of Leave:**
 - Increments of Leave: Employers can require paid time off for ESTA-covered absences to be used in one-hour increments, or the smallest increment employers can track.



Michigan Earned Sick Time Act (ESTA)

- **Notice to Employees:**

- Employees were given until March 23, 2025 to notify employees of their ESTA-compliant PTO policy or separate leave plan, including the following information:
 - The amount of earned sick time required to be provided to an employee under ESTA
 - The employer's choice of how to calculate a year
 - The terms under which earned sick time may be used
 - That retaliatory personnel action taken by the employer against an employee for requesting or using earned sick time for which the employee is eligible is prohibited
 - The employee's right to file a complaint with the department for any violation of ESTA.
- Employers are also required to display the required poster from the DOL.

Michigan Earned Sick Time Act (ESTA)

- **Notice to Use Leave**

- **Foreseeable** – Employers may require seven days' notice from employees for foreseeable uses of paid sick and safe leave.
- **Unforeseeable** – Notice must be given as soon as practicable or in accordance with the employer's policy related to requesting or using sick time or leave, as long as two requirements are met:
 1. The employer provides a written copy of the policy containing the procedures for how the employee must provide notice; and
 2. The employer's notice requirement allows the employee to provide notice after the employee is aware of the need for the earned sick time.

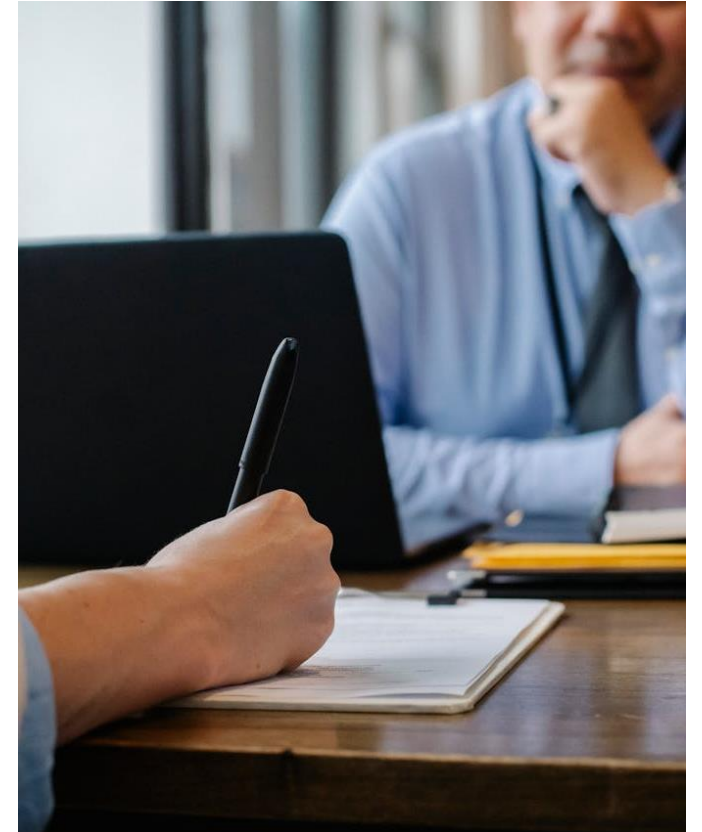
Michigan Earned Sick Time Act (ESTA)

- **Documentation Requirements:**
 - Employers may request documentation for leave periods longer than three consecutive days.
 - Upon request employees must provide documentation* within 15 days.
 - Employer required documentation should not include a description of the illness or details of domestic or sexual violence.
- **No Replacement Requirements Allowed** – Employers cannot require an employee to find a replacement as a condition of using ESTA-covered leave.

* NOTE: For any out-of-pocket expenses incurred in requesting such documentation, employers are required to reimburse employees.

Michigan Earned Sick Time Act (ESTA)

- **Rehire Provision:**
 - ESTA requires employers to reinstate previously accrued but unused earned sick time and allow immediate use of such time if the employee is rehired within two months
 - The rehire provision does not apply if an employer pays out accrued but unused earned sick time at the time of separation.



Michigan Earned Sick Time Act (ESTA)

Enforcement of ESTA

- **No Private Right of Action:**
 - Employees may not bring a lawsuit for violations of ESTA.
 - Employees must file a complaint with the Department of Labor and Economic Opportunity, for which the department may investigate, enforce compliance, and seek remedies such as back pay and reinstatement for aggrieved employees.
 - The DOL may also file a civil action on behalf of employees, including on a class basis.

Michigan Earned Sick Time Act (ESTA)

- **Fines** – Employers may be subject to the following fines for violations of ESTA:
 - \$100 for no poster
 - \$1,000 for retaliation
 - A fine up to eight times hourly wages of affected employees not given leave.

Michigan Department of Labor & Economic Opportunity
Wage and Hour Division
PO Box 30476
Lansing, MI 48969-7976
REQUIRED POSTER

GENERAL REQUIREMENTS – EARNED SICK TIME ACT*

Your employer's "year" for the purposes of the Earned Sick Time Act is:

Earned Sick Time Accrual			
Number of Employees	Minimum Accrual	Minimum Paid Sick Time	Unpaid Sick Time
Less than 10 employees	1 hour for every 30 hours	40 hours in a year	32 hours (if more than 40 accrued)
10 or more employees	1 hour for every 30 hours	72 hours in a year	

* Earned sick time shall carry over from year to year, a business with less than 10 employees is not required to permit an employee to use more than 40 hours of paid earned sick time and 32 hours of unpaid earned sick time in a single year, employers with 10 or more employees are not required to permit an employee to use more than 72 hours of paid earned sick time in a single year.
 * Earned sick time shall begin to accrue on the effective date of this law, or upon commencement of the employee's employment, whichever is later.
 * An employee may use accrued earned sick time as it is accrued.
 * An employer is in compliance with the act if it provides any paid leave in at least the same amounts as that provided under this act that may be used for the same purposes and under the same conditions provided in this act and that is accrued at a rate equal to or greater than the rate described in subsections (1) and (2) of Section 3 of the act. Paid leave includes, but is not limited to, paid vacation days, personal days, and paid time off.

Earned Sick Time Uses

An employer shall permit an employee to use the earned sick time accrued for any of the following:

- The employee's or the employee's family member's mental or physical illness, injury, or health condition; medical diagnosis, care, or treatment of the employee's mental or physical illness, injury, or health condition; or preventative medical care for the employee.
- If the employee or the employee's family member is a victim of domestic violence or sexual assault, for medical care or psychological or other counseling for physical or psychological injury or disability; to obtain services from a victim services organization; to relocate due to domestic violence or sexual assault; to obtain legal services; or to participate in any civil or criminal proceedings related to or resulting from the domestic violence or sexual assault.
- For meetings at a child's school or place of care related to the child's health or disability, or the effects of domestic violence or sexual assault on the child; or
- For closure of the employee's place of business by order of a public official due to a public health emergency; for an employee's need to care for a child whose school or place of care has been closed by order of a public official due to a public health emergency; or when it has been determined by the health authorities having jurisdiction or by a health care provider that the employee's or employee's family member's presence in the community would jeopardize the health of others because of the employee's or family member's exposure to a communicable disease.
- An employer shall not require an employee to search for or secure a replacement worker as a condition for using earned sick time.

Exercise of Rights

An employer or any other person shall not interfere with, restrain, or deny the exercise of, or the attempt to exercise, any right protected under this act.

An employer shall not take retaliatory personnel action or discriminate against an employee because the employee has exercised a right protected under this act. "Retaliatory personnel action" means any of the following:

- Denial of any right guaranteed under this act.
- A threat, discharge, suspension, demotion, reduction of hours, or other adverse action against an employee or former employee for exercise of a right guaranteed under this act.
- Sanctions against an employee who is a recipient of public benefits for exercise of a right guaranteed under this act.
- Interference with, or punishment for, an individual's participation in any manner in an investigation, proceeding, or hearing under this act.

An employer's absence control policy shall not treat earned sick time taken under this act as an absence that may lead to or result in retaliatory personnel action.

Complaint Filing

An employee affected by an alleged violation, at any time within 3 years after the alleged violation or the date when the employee knew of the alleged violation, whichever is later, may do any of the following:

(a) Bring a civil action for appropriate relief, including, but not limited to, payment for used earned sick time; rehiring or reinstatement to the employee's previous job; payment of back wages; reestablishment of employee benefits to which the employee otherwise would have been eligible if the employee had not been subjected to retaliatory personnel action or discrimination; and an equal additional amount as liquidated damages together with costs and reasonable attorney fees as the court allows.

(b) File a claim with the department, which shall investigate the claim. Filing a claim with the department is neither a prerequisite nor a bar to bringing a civil action.

*For precise language of the statute, see Public Act 338 of 2018, as amended.
Auxiliary aids, services and other reasonable accommodations are available, upon request, to individuals with disabilities.
www.michigan.gov/wagehour • Toll Free 1-855-488-WAGE • Toll Free 1-855-488-WAGE (1-855-464-9243)
WHD 9511 (Revised 8/22/2024)

What Should Employers Do Now?

- Michigan employers will need to review and adjust policies to be compliant.
- Michigan employers should continue to be mindful of these new laws and aware of additional guidance from the Michigan Department of Labor and Economic Opportunity.
- Be sure to budget for increases to minimum wage.
- Train your HR/ payroll, and other key staff on how to comply and how to account for all of the changes.



Q&A

Thank You

Erika Ruskin • (248) 646-2073 • ERuskin@kotzsangster.com

Thank You!

