

TelFarm Newsletter

Volume 25, Issue 1

Summer 2025

TelFarm Participation Awards

Congratulations to the following farms for reaching these milestones last year and thank you for working with us!

50 Years—

- Randall Farms—Osseo

25 Years—

- LaBar Farms, LLC—Union City



- Double D Dairy—Hudsonville
- Elkhorn Farms, Inc—Millington

Are you in compliance with the Earned Sick Time Act?

Corey Clark, MSUE Farm Business

The Earned Sick Time Act, which requires all employers to offer sick leave to their employees, was recently finalized by the Michigan legislature. For large businesses with more than 10 employees, the law went into effect on February 21, 2025. Small businesses with 10 or fewer employees are subject to the law starting October 1, 2025.

Under the Earned Sick Time Act, employees will accrue 1 hour of sick time for every 30 hours worked. The law applies to all employees whose physical work location is in Michigan, whether they are salaried or paid hourly and full-time or part-time. Employees who schedule their own hours without being penalized for a minimum number of hours are exempt.

Large businesses must allow employees to take up to 72 hours of paid sick leave per year. Small businesses must allow employees to take up to 40 hours of paid sick leave each year. An employer is considered a large employer if it employs more than 10 employees in 20 or more workweeks in the **current or previous** calendar year. Workweeks do not have to be consecutive.

The law provides two options for accrual of sick time:

Employers can allow employees to accrue sick time on their actual hours worked. Salaried workers are assumed to work 40 hours per week unless their normal hours are less than 40 hours. Employers must allow sick time to be taken

as soon as it is accrued, up to 72 hours of sick time per year (or 40 hours for small businesses). Unused hours must be carried over into the following year, up to 72 hours for a large business and 40 hours for a small business. Employers can restrict employees from using sick time until they have completed 120 days of employment, although they begin accruing hours immediately.

Employers can “frontload” sick time, providing employees with the full 72 hours of sick time (or 40 hours for small businesses) at the beginning of the year. Part-time employees would have a pro-rated number of hours. Under this method, employees can then begin to take sick time as soon as the year

Article continued on next page.

Earned Sick Time Act, Continued

begins, up to the required 72 hours (or 40 hours for small businesses). There is no carryover requirement for frontloaded hours, but sick time must be made available immediately upon hire.

Sick time must be paid at the employee's regular hourly wage (or minimum wage if it is higher), not including piece-rate pay, bonuses, or overtime. For seasonal employees separating for less than 2 months, accrued sick time must be maintained through the separation. Accrued sick time does not need to be paid out upon the end of employment.

The Earned Sick Time Act provides a wide range of approved uses of sick leave. Time may be taken for the employee's physical or mental illness, as well as treatment and preventative

medical care. Likewise, time can be taken for a family member's physical or mental illness, treatment and preventative care. Additional approved uses can be found in the FAQ of the State of Michigan's ESTA website. An employer cannot require that the employee find a replacement worker as a condition of using earned sick time. Current paid time off (PTO) programs can be utilized to meet these requirements as long as they offer at least the required number of hours and allow the use of all ESTA-required sick leave uses.

An employer can require up to 7 days of advance

notice for a foreseeable need for sick time. Unforeseeable needs can only require that the employee provide notice as soon as practicable. Some adjustments can be made based on an employer's written absence policies. An employer can require documentation for more than 3 consecutive days of used sick time, but leave may not be withheld due to not receiving documentation. Employers must pay for the cost of any documentation that they require from the employee. Employers must post written notice of employee rights at hiring on or after February 21, 2025. The State of Michigan offers posters for employers.



MICHIGAN DEPARTMENT OF
**LABOR & ECONOMIC
OPPORTUNITY**

The TelFarm Center
will be closed on
Friday, July 4th and
Monday, September 1st



Should your worker be classified as a W2 employee or a 1099 Contractor?

Corey Clark, MSUE Farm Business

Farmers hire people to do many tasks, including running equipment, milking cows, and harvesting crops. Each hired individual must be classified as a W-2 employee or a 1099 contractor. This classification is important due to legal, tax, and financial responsibilities. In particular, the Internal Revenue Service requires the employer of W-2 employees to withhold income taxes and pay half of Social Security and Medicare taxes. In Michigan employers are usually required to pay unemployment taxes on W-2 employees. When a worker is classified as a 1099 contractor, employers do not typically withhold income taxes or pay payroll taxes.

Many farmers prefer to classify workers as 1099 contractors because it can save money and reduce paperwork, but the Internal Revenue Service has strict rules that must be followed. Workers must be classified based on how much control the farmer has over the work and how much independence the worker has. If a worker is misclassified, the employer

may face penalties, back taxes, and fines.

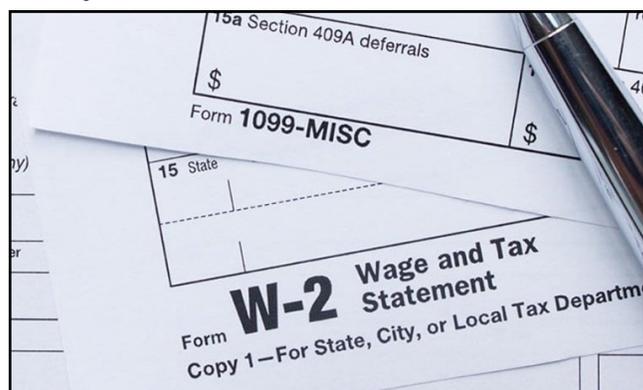
The IRS looks at three main areas to decide whether someone is a W-2 employee or a 1099 contractor:

1. Control over the work
W-2 employees are usually told how, when, and where to do their jobs. These employees may receive training and step-by-step instructions. In contrast, 1099 contractors generally have more freedom. The contractor decides how to complete their tasks and usually set their own schedules. The business is mostly concerned with the final result – not how the work is done.
2. The financial relationship
W-2 employees are usually paid a regular wage or salary and use tools or equipment provided by the employer. In comparison, 1099 contractors usually pay for their own supplies and tools, and they are usually paid by the project or task. They also

have the chance to make a profit -- or take a loss – based on how they manage their work.

3. The type of relationship
A W-2 employee usually works for the business on an ongoing basis and does work that is a regular and important part of the farm's operations. A 1099 contractor, on the other hand, is usually hired for short-term work or a specific project. There is no expectation that the work will continue after the job is finished.

If the farmer is not sure how to correctly classify a worker, they can fill out IRS Form SS-8. The IRS will review the form and decide whether the person should be treated as a W-2 employee or a 1099 contractor.



Have you applied for the Emergency Commodity Assistance Program? Corey Clark, MSUE Farm Business & John Jones

The Emergency Commodity Assistance Program (ECAP) is a government program from the Farm Service Agency (FSA). It provides funds to farmers to offset income loss in 2024 due to increased costs and reduced prices.

To qualify for ECAP, you must be actively farming and be responsible for input expenses for a covered crop. You also need to have reported your 2024 crop acreage to FSA. This includes crops planted, as well as prevented planting. Eligible crops include corn, soybeans, wheat, cotton, rice, and many kinds of legumes and oil seeds.

Your payment is based on how many acres you planted - not how much you harvested. Each crop has a fixed payment per acre. You can find these payment amounts on the USDA's website at farmers.gov. If you planted the crop, you can get the

full payment per acre. If you had prevented planting, you can get half the payment. At first, farmers will receive 85% of the total payment amount. If there are funds remaining after the application period ends, farmers may get the funds later. You can use the ECAP online calculator at www.fsa.usda.gov/ecap to estimate your payment.



USDA Notice PL-313 may be helpful to provide more detailed

procedures for determining gross income for this program (https://www.fsa.usda.gov/Internet/FSA_Notice/pl_313.pdf).

Payment limits for ECAP depend on how much of your income came from farming in 2020, 2021, and 2022. If less than 75% of your total income in those years came from farming, you can get up to \$125,000. If 75% or more of your income came from

farming, you can get up to \$250,000. To receive the higher payment limit of \$250,000, you must include Form CCC-943 with your application. This form needs to be certified by a Certified Public Accountant (CPA), Enrolled Agent (EA), or attorney.

Applications are being accepted until August 15, 2025. Most farmers received a pre-filled ECAP application in the mail. If you didn't get one, contact your local FSA office. You can apply online through login.gov, in person at your local FSA office, by mail, or by email. All other required forms (except the CCC-943) are typically filed from other programs. For questions or help with your application, contact your local FSA office or visit www.fsa.usda.gov/ecap.

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