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# Nine More States, One City, and a Territory Increase Minimum Wage

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Continuing a growing national trend, Minnesota, West Virginia, Maryland, Hawaii, Vermont, Michigan, Delaware, Rhode Island, Massachusetts, Guam, and the city of Seattle recentlyenacted laws raising the minimum wage in their respective jurisdictions. This client alert highlights key provisions of these new laws and examines the implications for covered employers.

**Minnesota**

Minnesota's minimum wage will gradually increase over the next several years. For "large" employers,[1] the minimum wage will increase from $6.15 per hour to $8.00 per hour on August 1, 2014, to $9.00 per hour on August 1, 2015, and to $9.50 per hour on August 1, 2016. For "small" employers, the minimum wage will increase from $5.25 per hour to $6.50 per hour on August 1, 2014, to $7.25 per hour on August 1, 2015, and to $7.75 per hour on August 1, 2016. Beginning January 1, 2018, and on every first of the year thereafter, the minimum wage applicable to both large and small employers will increase according to the rate of inflation up to 2.5%.

The new Minnesota law also raises the minimum "training" wage employers may pay workers under the age of 20 during the first 90 consecutive days of employment from the current $4.90 per hour to $6.50 per hour effective August 1, 2014, to $7.25 per hour effective August 1, 2015, and to $7.75 per hour effective August 1, 2016, and to the applicable inflation-adjusted rate thereafter. Large employers are permitted to pay workers under the age of eighteen the same rate.

In addition, large employers qualifying as a "hotel or motel," "lodging establishment" or "resort" must pay contract employees who receive lodging or food benefits for summer work while on a non-immigrant visa a minimum wage at a rate of $7.25 per hour on August 1, 2014, $7.50 per hour on August 1, 2015, $7.75 per hour on August 1, 2016, and the applicable inflation-adjusted rate thereafter.

**West Virginia**

West Virginia's existing $7.25 minimum wage will rise to $8.00 per hour after December 31, 2014, and to $8.75 per hour after December 31, 2015. There are numerous exemptions for covered employees.

The new law also raises the permissible "training wage" an employer may pay new employees under the age of 20 during the first 90 days[2] of employment from $5.15 per hour to $6.40 per hour for employees first hired after December 31, 2014.

Until January 1, 2015, tipped employees must be paid at least 80% of the regular minimum wage. After December 31, 2014, however, tipped employees must be paid only 30% of the regular minimum wage, provided the employer can furnish documentary evidence that the employee is receiving at least 70% of the minimum wage in gratuities. Employers also will receive a "reasonable" credit for board and lodging furnished to employees, subject to a maximum credit allowance to be determined by the state and the employer's ability to provide documentary evidence that such board and/or lodging is being provided.

**Maryland**

Maryland's current $7.25 minimum wage will increase to $8.00 per hour on January 1, 2015, to $8.25 per hour on July 1, 2015, to $8.75 per hour on July 1, 2016, to $9.25 per hour on July 1, 2017, and to $10.10 per hour on July 1, 2018. Despite these increases, Maryland's wage hike is not indexed to inflation.

The new Maryland law applies to any employee subject to the state's wage and hour law, [3] including any "non-exempt" employee who is overtime eligible, with two exceptions: (1) persons under the age of 20 may be paid 85% of the minimum wage during the first six months of employment and (2) persons employed by amusement or recreational establishments, including swimming pools, that operate for no more than seven months in a calendar year and whose average gross receipts for any six-month period in the preceding year did not exceed one-third of the average receipts for the other six months, may be paid the greater of 85% of the state minimum wage or $7.25. The new law also freezes the minimum wage for tipped workers at $3.63 per hour.

**Hawaii**

Hawaii will raise its current $7.25 minimum wage to $7.75 per hour on January 1, 2015, to $8.50 per hour on January 1, 2016, to $9.25 per hour on January 1, 2017, and to $10.10 per hour on January 1, 2018.

The new Hawaii law also increases the minimum hourly wage for tipped workers. Currently, tipped employees whose combined hourly wages and tips total at least 50 cents more than the regular minimum wage must be paid at least $7.00 per hour, 25 cents less than the regular minimum wage. Under the new Hawaii law, beginning January 1, 2015, tipped workers whose combined hourly wages and tips total at least $7.00 more than the regular minimum hourly wage may be paid 50 cents less the minimum wage as of January 1, 2015, and 75 cents less the regular minimum wage as of January 1, 2016. This raises the minimum hourly wage for qualifying tipped workers to $7.25 effective January 1, 2015, to $7.75 effective January 1, 2016, to $8.50 effective January 1, 2017, and to $9.35 effective January 1, 2018.

**Vermont**

Vermont will increase its existing $8.73 minimum wage to $9.15 per hour on January 1, 2015, to $9.60 per hour on January 1, 2016, to $10.00 per hour on January 1, 2017, and to $10.50 per hour on January 1, 2018. Beginning January 1, 2019, Vermont's minimum wage will increase each year by the percentage increase of the Consumer Price Index or five percent, whichever is smaller. Service or tipped employees in the hotel, motel, tourist place, and restaurant industries regularly earning at least $120 per month in tips must be paid at least one-half the minimum wage.

**Michigan**

Michigan will raise its current $7.40 minimum wage to $8.15 per hour on September 1, 2014, to $8.50 per hour on January 1, 2016, to $8.90 per hour on January 1, 2017, and to $9.25 on January 1, 2018. Beginning January 1, 2019, Michigan's minimum wage will be adjusted each year by the average annual percentage change in the Consumer Price Index for the most recent five-year period or 3.5%, whichever is smaller, unless the state unemployment rate is 8.5% or greater in the previous year. The new Michigan law also increases the minimum hourly wage for tipped employees from $2.65 to 38% of the regular minimum wage; provided, however, that the employee's combined tips and hourly wage may not be less than the regular minimum wage and that the employer is responsible for paying any shortfall.

The new law exempts (1) persons under the age of 20 years old for their first 90 days of employment, during which time the employer may pay such persons a training hourly wage of $4.25, and (2) persons under the age of eighteen, whom an employer lawfully may pay 85% of the regular minimum wage.

**Delaware**

Delaware increased its minimum wage to $7.75 per hour effective June 1, 2014, and to $8.25 per hour effective June 1, 2015.

**Rhode Island**

Rhode Island increased its current $8.00 minimum wage to $9.00 per hour effective January 1, 2015.

**Massachusetts**

Massachusetts' current $8.00 per hour minimum wage will increase to $9.00 per hour on January 1, 2015, to $10.00 per hour on January 1, 2016, and to $11.00 per hour on January 1, 2017. The new law also will increase the hourly minimum wage for tipped employees on those same dates to $3.00 per hour, to $3.35 per hour, and to $3.75 per hour, respectively.

**Guam**

Guam increased its current $7.25 minimum wage to $8.25 per hour, effective January 1, 2015.

**Seattle**

The new Seattle law increases the city's existing minimum wage to $15.00 per hour over the next several years, and includes a more gradual phase-in process for businesses that provide health care benefits to employees and small businesses. For "Schedule 1" employers,[4] the minimum wage will increase to $11.00 per hour on April 1, 2015, to $13.00 per hour on January 1, 2016, to $15.00 per hour on January 1, 2017, and to the applicable inflation-adjusted rate thereafter. For Schedule 1 employers that pay toward an employee's medical benefits plan, however, the minimum wage will increase to $12.50 per hour on January 1, 2016, to $13.50 per hour on January 1, 2017, and to $15.00 per hour on January 1, 2018. Beginning in 2019, a "Schedule 1" employer's payment of health benefits will no longer affect its minimum wage obligations.

For "Schedule 2" employers,[5] the minimum wage will gradually increase to $15.00 by 2021. The minimum wage will increase to $10.00 per hour on April 1, 2015, to $10.50 per hour on January 1, 2016, to $11.00 per hour on January 1, 2017, to $11.50 per hour on January 1, 2018, to $12.00 per hour on January 1, 2019, to $13.50 per hour on January 1, 2020, to $15.00 per hour on January 1, 2021, to $15.75 per hour on January 1, 2022, to $16.50 per hour on January 1, 2023, to $17.25 per hour on January 1, 2024, and to the hourly minimum wage applicable to "Schedule 1" employers thereafter.

The new Seattle law also sets forth a minimum compensation[6] rate that employers of fewer than 501 total employees may pay to tipped employees and to employees receiving medical benefits:  $11.00 per hour effective April 1, 2015, $12.00 per hour on January 1, 2016, $13.00 per hour on January 1, 2017, $14.00 per hour on January 1, 2018, and $15.00 per hour on January 1, 2019.

Under the new law, the city will establish the minimum wage for employees under the age of eighteen, provided that the rate is not lower than the percentage applicable under state law.

***Takeaways***

Employers with employees earning at or slightly above the current minimum wage in these jurisdictions should begin taking steps to ensure compliance with the increases taking effect in the near future. Employers also should anticipate a similar increase in related overtime costs, as overtime typically is calculated as at least one and one-half times an employee's regular hourly rate of pay. Should you have any questions about the new minimum wage laws or any other wage and hour issues, please contact your Proskauer relationship attorney.

[1] Minnesota's minimum wage law now defines "large" employers as those enterprises generating $500,000 or more in annual gross volume of sales or business, down from $625,000 in the previous version of the law. "Small" employers include any enterprises generating less than $500,000 in annual gross volume of sales or business.

[2] Employers who have been in operation for fewer than 90 days at the time of hiring an employee for whom the training wage applies may pay that employee the training wage for an additional 90 days.

[3] The new law eliminates the former exemption for employees over 62 years of age who work no more than 25 hours per week. The exemption for employees of establishments selling food and drinks for consumption on the premises (*e.g.,* restaurants) has been modified to include any such establishment with annual gross income of $400,000 or more, up from $250,000 under the current law.

[4] A "Schedule 1 Employer" is one that employs more than 500 employees nationally, or a franchisee associated with a franchisor or a network of franchisees that employee more than 500 employees nationally in aggregate.

[5] A "Schedule 2 Employer" is one that employs 500 or fewer individuals, regardless of where those individuals are employed.

[6] "Minimum compensation" is the minimum wage in addition to tips actually received by the employee and money paid by the employer towards an employee's medical benefits plan.

**Related Professionals**

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