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Labor and Employment Alert

Massachusetts Increases the Minimum Wage and Reforms Unemployment Insurance

June 27, 2014

Yesterday, Governor Deval Patrick signed into law an increase in the state minimum wage to \$11 per hour by 2017, the highest state minimum wage in the country. Specifically, Massachusetts' current \$8.00 per hour minimum wage will increase as follows:

- As of January 1, 2015, the minimum wage will be \$9.00 per hour;
- As of January 1, 2016, the minimum wage will be \$10.00 per hour; and
- As of January 1, 2017, the minimum wage will be \$11.00 per hour.

On those same dates, respectively, the hourly sub-minimum wage for tipped employees will also increase to \$3.00, \$3.35, and \$3.75. Employers are entitled to pay tipped employees the sub-minimum wage and take a "tip credit" for the difference between the sub-minimum wage and the statutory minimum wage, provided that the tipped employee earns enough tips per week to make up the difference between his or her hourly wage and the actual minimum wage.

As part of this law, the Governor also approved unemployment insurance reforms, including updates to the state's unemployment insurance rating table and a rate freeze for the next three years. The new law extends from one to three years the period for which the Department of Unemployment Assistance reviews an employer's usage of unemployment benefits, which is a factor considered in determining an employer's premiums. The law also increases the wage base subject to the unemployment rates from \$14,000 to \$15,000 per employee.

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