

Minnesota Passes Minimum Wage Increases

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Minnesota Governor Mark Dayton has signed a law increasing the minimum wage in Minnesota to \$9.50 an hour by 2016. The first of three increases will be effective August 1, 2014.

The state's current minimum wage, \$6.15 per hour for employees of large employers and \$5.25 per hour for employees of small employers, has been one of four lowest in the nation, below the federal rate of \$7.25 per hour. Once the increases are implemented, Minnesota's minimum wage will be catapulted to one of the highest state minimums. The increase going into effect this year will move Minnesota past the federal rate, too. Where federal and state laws have different minimum wage rates, the higher standard applies.

The state minimum wage for employees of "large" employers (employers with at least \$500,000 of annual gross revenue) will increase as follows:

\$8.00 an hour on August 1, 2014

\$9.00 an hour on August 1, 2015

\$9.50 an hour on August 1, 2016

The minimum wage for employees of "small" employers (employers with less than \$500,000 in annual gross revenue), workers under the age of 18, and trainees under the age of 20 for the first 90 calendar days of employment will increase as follows:

\$6.50 an hour on August 1, 2014 (unless subject to the federal minimum wage of \$7.25)

\$7.25 an hour on August 1, 2015

\$7.75 an hour on August 1, 2016

The minimum wage for workers under certain J-1 non immigration visas will increase as follows:

\$7.25 an hour on August 1, 2014

\$7.50 an hour on August 1, 2015

\$7.75 an hour on August 1, 2016

In addition, effective January 1, 2018, the state's minimum wage will be indexed for inflation, which will be capped at 2.5 percent per year. Minnesota's Commissioner of Labor and Industry has authority to suspend an inflation increase in a severe economic downturn.

Since Minnesota employers must pay the higher wage of either the federal or state wage law, starting August 1, 2014, large Minnesota employers must pay the new *state* minimum wage. Smaller employers in virtually all cases will still be required to pay the *federal* minimum wage. Employers should ensure their payroll systems are updated to accommodate the yearly increases to the minimum wage.

Restaurants and other Minnesota employers with tipped employees should be mindful that Minnesota does not permit tip credits and the Legislature did not adopt proposals that would have created a separate minimum wage for tipped employees.

If you have any questions regarding Minnesota's new minimum wage law or other workplace issues, please contact

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Wage and Hour