

Majority of State Minimum Wages Higher Than Federal Rate for 2015

As the debate over raising the federal minimum wage continues, states and cities are taking steps to hike local wage rates. On January 1, nearly half of the states raised rates for 2015, with other increases to follow. For the first time, a majority of states now have higher minimum wages than the federal minimum. Multistate employers in particular will have to factor the new rates into overtime pay calculations and, in some cases, employee exemptions from overtime requirements. As minimum wage laws change, employers need to review their pay practices to ensure compliance with all applicable wage and hour rules in each of the locations where they operate.

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Background

In 2014, fewer than half the states had minimum wages higher than the federal minimum of \$7.25. Nineteen states had the same minimum wage rate as the federal requirement, while three states — Arkansas, Georgia, and Wyoming — had rates below the federal floor. Only five states — Alabama, Louisiana, Mississippi, South Carolina, and Tennessee — had no minimum wage requirement.

Last November, voters in four states and in two major cities overwhelmingly approved ballot initiatives that will gradually increase their wage floors over the next few years. (See our [November 18, 2014 For Your Information](#).) On January 1, 2015, employers in Arkansas, Nebraska, and South Dakota — as well as in San Francisco and Oakland, California — faced the first of the wage increases approved last November, while other states adjusted their minimum wage rates for inflation.

State Minimum Wage Rates

Nearly half of the states raised their minimum wages on January 1, 2015, as new state laws or indexed increases in existing laws took effect. As shown below, 29 states and the District of Columbia now



have general wage rates in effect that exceed the federal minimum, and some of those have scheduled rate increases for later this year.

| State | 2014 Minimum Wage (as of 12-31-14) | 2015 Minimum Wage (as of 1-1-15) | Scheduled 2015 Increases and Effective Dates |
|----------------------|---|-------------------------------------|--|
| Alaska | \$7.75 | \$7.75 | \$8.75 (2-24-15) |
| Arizona | \$7.90 | \$8.05 | |
| Arkansas | \$6.25 | \$7.50 | |
| California | \$9.00 | \$9.00 | |
| Colorado | \$8.00 | \$8.23 | |
| Connecticut | \$8.70 | \$9.15 | |
| Delaware | \$7.75 | \$7.75 | \$8.25 (6-1-15) |
| District of Columbia | \$9.50 | \$9.50 | \$10.50 (7-1-15) |
| Florida | \$7.93 | \$8.05 | |
| Hawaii | \$7.25 | \$7.75 | |
| Illinois | \$8.25 | \$8.25 | |
| Maine | \$7.50 | \$7.50 | |
| Maryland | \$7.25 | \$8.00 | \$8.25 (7-1-15) |
| Massachusetts | \$8.00 | \$9.00 | |
| Michigan | \$8.15 | \$8.15 | |
| Minnesota | \$8.00/\$6.50 (large employers/small employers) | \$8.00/\$6.50 | \$9.00/\$7.25 (8-1-15) |
| Missouri | \$7.50 | \$7.65 | |
| Montana | \$7.90 | \$8.05 | |
| Nebraska | \$7.25 | \$8.00 | |

| | | | |
|---------------|--|--|-------------------|
| Nevada | \$8.25/\$7.25 (without/with health benefits) | \$8.25/\$7.25 | |
| New Jersey | \$8.25 | \$8.38 | |
| New Mexico | \$7.50 | \$7.50 | |
| New York | \$8.75* | \$8.75 | \$9.00 (12-31-15) |
| Ohio | \$7.95/\$7.25 (employers grossing under \$292,000) | \$8.10/\$7.25 (employers grossing under \$297,000) | |
| Oregon | \$9.10 | \$9.25 | |
| Rhode Island | \$8.00 | \$9.00 | |
| South Dakota | \$7.25 | \$8.50 | |
| Vermont | \$8.73 | \$9.15 | |
| Washington | \$9.32 | \$9.47 | |
| West Virginia | \$8.00* | \$8.00 | \$8.75 (12-31-15) |

Note: Many of the states that have increased the general minimum wage have also raised the minimum wage for tipped employees.

* Rate changed effective 12-31-14.

Minimum wage changes affect nonexempt employees and, in some cases, overtime-exempt employees as well. Under the Fair Labor Standards Act (FLSA), an individual may qualify for one of the so-called “white-collar exemptions” from federal minimum wage and overtime requirements if he or she is paid a salary of at least \$455 per week and satisfies certain other requirements. (See our [April 3, 2014 For Your Information.](#))

While most states have overtime exemptions that are similar to the federal exemptions, some state laws — unlike the FLSA — set minimum salary requirements based on the state minimum wage. Employers that operate in those locations must monitor developments to make certain that increases in the state minimum wage do not impact the exempt/nonexempt classifications of their employees.

Local Minimum Wage Rates

In addition to state minimum wage hikes, a number of major cities and counties are increasing their wage rates in 2015. As indicated below, some of those localities increased rates on January 1 while others have already announced raises for later this year.

| Municipality or County | 2014 Minimum Wage (as of 12-31-14) | 2015 Minimum Wage (as of 1-1-15) | Scheduled 2015 Increases and Effective Dates |
|----------------------------|--|---|--|
| Berkeley, CA | \$10.00 | \$10.00 | \$11.00 (10-1-15) |
| Mountain View, CA | \$9.00 | \$9.00 | \$10.30 (7-1-15) |
| Oakland, CA | \$9.00 | \$9.00 | \$12.25 (3-2-15) |
| Richmond, CA | \$9.00 | \$9.60 | |
| San Diego, CA | \$9.00 | \$9.75 | |
| San Francisco, CA | \$10.74 | \$11.05 | \$12.25 (5-1-15) |
| San Jose, CA | \$10.15 | \$10.30 | |
| Chicago, IL | \$8.25 | \$8.25 | \$10.00 (7-1-15) |
| Louisville, KY | \$7.25 | \$7.25 | \$7.75 (7-1-15) |
| Montgomery County, MD | \$8.40 | \$8.40 | \$9.55 (10-1-15) |
| Prince George's County, MD | \$8.40 | \$8.40 | \$9.55 (10-1-15) |
| Albuquerque, NM | \$8.60/7.60 (without/with health and/or childcare benefits) | \$8.75/\$7.75 | |
| Santa Fe, NM | \$10.66 | TBD | |
| Las Cruces, NM | \$7.50 | \$8.40 | |
| Seattle, WA | \$9.32 | \$10.00 (less than 500 employees)/\$11.00 (500 or more) | |
| SeaTac, WA | \$15.00 | \$15.24 (hospitality and transportation employees) | |

In Closing

Because a majority of states now have higher minimum wages than the federal minimum, employers will need to review their pay practices in each of the locations where they operate to ensure compliance with all applicable wage and hour laws. In particular, employers should confirm that changes in state or local minimum wage rates do not affect employee exemptions from minimum wage and overtime requirements. Additionally, employers should promptly post any required minimum wage posters reflecting the 2015 state and local increases, and update the postings when new rates take effect.

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