

Employers Face Higher Minimum Wages in 2016

While the federal minimum wage remains unchanged, a number of states and cities will be hiking local wage rates on January 1. Other state and local increases are slated for later in the year. As minimum wage requirements continue to change, employers will have to adjust their payroll systems, overtime pay rates and, in some cases, employee exemptions from overtime requirements to ensure compliance with the laws in each of the locations where they operate.

Background

Fewer than half the states had minimum wage rates exceeding the federal floor of \$7.25 in 2014. For the first time in 2015, a majority of states had higher rates than the federal minimum as new laws or indexed increases in existing laws took effect. (See our [January 20, 2015 For Your Information.](#))

State Minimum Wage Rates

While twenty-nine states and the District of Columbia already have general minimum wage rates above the federal minimum, some of those have scheduled 2016 rate increases, as shown below. The minimum wage in more than a dozen other states — such as Arizona, Colorado, Florida, New Jersey, Ohio, Oregon and Washington — is indexed for inflation and will automatically adjust annually for increases in the cost of living.

State	2015 Minimum Wage	2016 Minimum Wage (as of 1-1-16)	Scheduled 2016 Increases and Effective Dates
Alaska	\$ 8.75	\$ 9.75	
Arkansas	\$ 7.50	\$ 8.00	
California	\$ 9.00	\$10.00	
Connecticut	\$ 9.15	\$ 9.60	
Hawaii	\$ 7.75	\$ 8.50	
Maryland	\$ 8.25	\$ 8.25	\$ 8.75 (7-1-16)

Massachusetts	\$ 9.00	\$10.00	
Michigan	\$ 8.15	\$ 8.50	
Minnesota	\$ 9.00/ \$7.25 (large employers/small employers)	\$ 9.00/\$ 7.25	\$ 9.50/\$ 7.75 (8-1-16)
Nebraska	\$ 8.00	\$ 9.00	
New York	\$ 8.75	\$ 9.00 (as of 12-31-15)	
Rhode Island	\$ 9.00	\$ 9.60	
South Dakota	\$ 8.50	\$ 8.55	
Vermont	\$ 9.15	\$ 9.60	
Washington, DC	\$10.50	\$10.50	\$11.50 (7-1-16)
West Virginia	\$ 8.00	\$ 8.75 (as of 12-31-15)	

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

Minimum wage changes affect nonexempt employees, but may also impact overtime-exempt employees. 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 apply FLSA standards to determine overtime eligibility, some states base the minimum salary thresholds for exempt/nonexempt status on the state minimum wage. Employers that operate in those locations should ensure that increases in state or local minimum wage rates do not impact the classification of their employees.

Local Minimum Wage Rates

In addition to state minimum wage hikes, a number of major cities and counties will be increasing their wage rates in 2016. As indicated below, some of those localities will increase rates on January 1, while others have announced raises for later next year.

Municipality or County	2015 Minimum Wage	2016 Minimum Wage (as of 1-1-16)	Scheduled 2016 Increases and Effective Dates
Birmingham, AL	N/A	N/A	\$ 8.50 (7-1-16)
Berkeley, CA	\$11.00	\$11.00	\$12.53 (10-1-16)
Emeryville, CA	\$12.25 to \$14.44 based on employer size	\$12.25 to \$14.44 based on employer size	\$13.00 to \$14.82 based on employer size (7-1-16)
Los Angeles, CA	\$ 9.00	\$ 9.00	\$10.50 (26 or more employees (7-1-16)
Mountain View, CA	\$10.30	\$11.00	
Oakland, CA	\$12.25	\$12.55	
Palo Alto, CA	N/A	\$11.00	
Richmond, CA	\$ 9.60	\$11.52	
San Francisco, CA	\$12.25	\$12.25	\$13.00 (7-1-16)
Santa Clara, CA	N/A	\$11.00	
Sunnyvale, CA	\$10.30	\$10.30	\$11.00 (7-1-16)
Johnson County, IA	\$ 8.20	\$ 8.20	\$ 9.15 (5-1-16)
Chicago, IL	\$10.00	\$10.00	\$10.50 (7-1-16)
Jefferson County, KY	\$ 7.75	\$ 7.75	\$ 8.25 (7-1-16)
Lexington, KY	\$ 7.25	\$ 7.25	\$ 8.20 (7-1-16)
Louisville, KY	\$ 7.25	\$ 7.25	\$ 8.20 (7-1-16)
Montgomery County, MD	\$ 9.55	\$ 9.55	\$10.75 (10-1-16)
Prince George's County, MD	\$ 9.55	\$ 9.55	\$10.75 (10-1-16)
Portland, ME		\$10.10	
Seattle, WA	\$10.00 (less than 500 employees)/\$11.00 (500 or more)	\$13.00, \$12.50, \$12.00, \$10.50 based on employer size and contributions toward medical benefits	
Tacoma, WA	\$ 9.47	\$ 9.47	\$10.35 (2-1-16)

In Closing

While efforts to increase the federal minimum wage have stalled in Congress, organized labor and other groups continue to call for a \$15 minimum wage nationwide. Many state and local governments have already adopted minimum wage rates above the federal minimum, with further increases to be phased in. As that occurs, employers will need to monitor their pay practices in each of their locations to ensure compliance with federal, state and local wage and hour laws. Finally, employers should make sure to post updated minimum wage posters, as required, when new rates take effect.

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