

New Year and New Minimum Wage Increases for 2016

As we prepare for your first payrolls of 2016, we would like to make you aware of state minimum hourly wage changes for 2016. In most of these states, the new minimum wage rates will apply as of January 1, 2016, while increased minimum wage rates in a few states will take effect later in 2016. If you are a multi-state employer with operations outside of Massachusetts, it is important to know that many states provide annual increases to the State Minimum Wage based on the U.S. Consumer Price Index and inflation.

Current Federal Minimum Wage Rate

Under the Fair Labor Standards Act (FLSA), the current federal minimum wage is \$7.25 per hour. However, because the FLSA does not supersede any state or local laws that are more favorable to employees, if a state has a minimum wage that is higher than the federal minimum, employers subject to the state minimum wage law are obligated to pay the higher rate to employees working in that state. As of January 1, 2016, the minimum wage rate for federal contractors will rise by five cents, to \$10.15, under an executive order issued by President Obama.

Minimum Wage Increased by State

As of January 1, 2016, new minimum wage rates will be in effect in the following states:

- **Alaska:** \$9.75 (up from \$8.75);
- **Arkansas:** \$8.00 (up from \$7.50);
- **California:** \$10.00 (up from \$9.00);
- **Connecticut:** \$9.60 (up from \$9.15);
- **Hawaii:** \$8.50 (up from \$7.75);
- **Massachusetts:** \$10.00 (up from \$9.00);
- **Michigan:** \$8.50 (up from \$8.15);
- **Nebraska:** \$9.00 (up from \$8.00);
- **New York:** \$9.00 (up from \$8.75);
- **Rhode Island:** \$9.60 (up from \$9.00);
- **South Dakota:** \$8.55 (up from \$8.50);
- **Vermont:** \$9.60 (up from \$9.15);
- **West Virginia:** \$8.75 (up from \$8.00).

In a few other states, minimum wage rates will increase later in 2016, as follows:

- **District of Columbia:** \$11.50, effective July 1, 2016 (up from \$10.50);
- **Maryland:** \$8.75, effective July 1, 2016 (up from \$8.25);
- **Minnesota:** \$9.50 for large employers, and \$7.75 for small employers, effective August 1, 2016 (up from \$9.00 and \$7.25, respectively).



Local Minimum Wages

Certain localities also have implemented minimum wage legislation. For example, in San Francisco, the minimum wage increase from \$12.25 to \$13.00 on July 1st 2016, among other increases (including Chicago, San Francisco, Seattle, and Los Angeles) have established their own minimum wage rates. Employers with employees in these municipalities need to ensure that employees' wages are consistent with those local minimum wage rates.

Key Next Steps

- Clients should inform your HR Knowledge Client Account Manager of any employees' hourly rates that need to be changed to meet the new state minimum wage requirements.
- If you process your own payroll, please note that when you submit these payrolls, you must make any necessary changes to the employees' rates by entering the new rate in the Pay Rate field found on the Payroll Info page under the Employees tab.
- HR Knowledge will be sending our clients the most up-to-date All-in-One poster once it is made available (if your current poster does not have a HR Knowledge logo, it is NOT the most recent version of our poster.)

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