

State Minimum Wage

The 2014 Minnesota Legislature enacted significant changes to the state's minimum wage structure, including phased-in minimum wage rate increases, alignment of the definitions of large and small businesses with those used under federal law, new youth and summer work-travel exchange visitor wage rates, and inflation adjustments to the wage rates. The major changes are highlighted below and are effective August 1, 2014, unless indicated otherwise.

What are the new state minimum wage rates?

Effective Date	Large Employer	Small Employer, Training Wage, Youth Wage	Summer Work-Travel Exchange Visitor
August 1, 2014	\$8.00	\$6.50	\$7.25
August 1, 2015	\$9.00	\$7.25	\$7.50
August 1, 2016	\$9.50	\$7.75	\$7.75
January 1, 2018	Inflation adjusted	Inflation adjusted	Inflation adjusted

Who is a large employer?

A large employer is an enterprise with annual business activity or gross receipts of at least \$500,000. The \$500,000 business activity threshold is the same level used under the federal minimum wage law. The number of workers employed does not determine the wage rate an employer must pay.

Prior to August 1, 2014, the business activity/gross receipts threshold that determined whether an employer in Minnesota was "large" or "small" was \$625,000 per year.

Who is a small employer?

A small employer is an enterprise with annual business activity or gross receipts of less than \$500,000.

What is the training wage?

The training wage is a special wage rate that may be paid during the first 90 consecutive days of employment of a person under the age of 20. The training wage applies regardless of the size of the employer. The training wage has existed in Minnesota's minimum wage law for many years. The new training wage rate is at the same level as the small employer wage rate and the youth wage rate.

What is the youth wage?

A new youth wage may be paid to employees under the age of 18. The youth wage applies regardless of the size of the employer. The youth wage is at the same level as the small employer wage and the training wage.

What is the summer work-travel exchange visitor wage?

A new, special minimum wage must be paid by hotels, motels, lodging establishments, or resorts to employees working under a contract that includes employer-provided food and lodging if the employee is working under a summer work-travel exchange visitor program (J) nonimmigrant visa.

Additional information on the summer work-travel program may be obtained through the U.S. State Department at <http://j1visa.state.gov/programs/summer-work-travel/>.

Additional information about the definition of hotels, motels, lodging establishments, or resorts may be obtained from [Minnesota Statutes, section 157.15](#), at <https://www.revisor.mn.gov/statutes/?id=157.15>.

How does indexing work?

The state minimum wage will be indexed to the rate of inflation (based upon the implicit price deflator) beginning January 1, 2018. The inflation adjustment, however, is limited to 2.5 percent per year even if the actual rate of inflation is higher. Wage rates cannot be adjusted downward. An inflation adjustment may be suspended if leading economic indicators—including projections of gross domestic product (GDP), consumer confidence, and state unemployment—indicate the potential for a substantial downturn in the state’s economy.

What about employees who receive tips?

Minnesota does not allow a “tip credit,” so tipped employees in Minnesota who are subject to the minimum wage provisions must be paid the minimum hourly wage regardless of whether they also receive tips. Additionally, the employer cannot require employees to share tips with the employer or with other employees.

Do employers pay the state or federal minimum wage?

An employer must pay the highest wage rate that applies, whether it is the state minimum wage rate or the federal minimum wage rate.

The current federal minimum wage rate, which became effective July 24, 2009, is \$7.25 per hour. Additional information about the federal minimum wage may be obtained from the U.S. Department of Labor at <http://www.dol.gov/whd/regs/compliance/whdfs14.pdf>.

Minimum wage laws are enforced in Minnesota by the Minnesota Department of Labor and Industry and the U.S. Department of Labor.

How does Minnesota’s minimum wage compare to the minimum wage in other states?

By January 1, 2015, according to information compiled by the National Conference of State Legislatures (NCSL), 26 states and the District of Columbia will have minimum wages above the federal minimum wage; 16 states, Guam, and the Virgin Islands will have minimum wages the same as the federal minimum wage; three states, American Samoa, and Puerto Rico will have minimum wages below the federal minimum wage; and five states will not have established a state minimum wage.

Additional information on wage rates in other states and scheduled increases in the states may be obtained from NCSL at <http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx>.

What were the previous state minimum wage rates?

The state minimum wage rates prior to August 1, 2014, were: \$6.15 per hour for large employers; \$5.25 per hour for small employers; and a \$4.90 per hour training wage.

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