

## Minimum Wage

***What is the state minimum wage?***

Under Minnesota's minimum wage law, employers who do at least \$625,000 of business in a year must pay their employees at least \$6.15 per hour. Employers who do less than \$625,000 of business in a year must pay least \$5.25 per hour. An exception for employees under age 20 during their first 90 days of work allows employers to pay them \$4.90 per hour.

***What is the federal minimum wage?***

As a result of legislation passed by Congress and signed by the president in 2007, the federal minimum wage increased to \$7.25 per hour in three steps. The first step, effective July 24, 2007, increased the wage to \$5.85 per hour. On July 24, 2008, the wage increased to \$6.55 per hour. The third and final step, effective July 24, 2009, set the minimum wage rate at \$7.25 per hour.

***Are employees covered by state law, federal law, or both?***

As a general matter, the federal law covers all employees of establishments that have at least \$500,000 in gross receipts per year. Further, any employee of an establishment that does not meet the \$500,000 minimum is covered if that employee's individual work involves transactions that in some way involve interstate commerce. The way these provisions are interpreted, most employees are covered by the federal law.

The state law covers most employees in Minnesota, unless they are specifically exempt. Therefore, unless they fit into one of the specific exceptions, most people who work in Minnesota are covered by both state and federal law.

***What are the state and federal exemptions?***

Many of the specific exemptions from minimum wage requirements are the same in federal and state law. Some exemptions are broad, such as the one that applies to executive, administrative, and professional employees, which appear in both state and federal law, and some are narrow, such as the federal exemption of employees who work at home making evergreen wreaths. State and federal regulations generally provide the boundaries of these categories.

***If an employee is covered by both state and federal law, which prevails?***

The short answer is that the higher wage prevails. If one law mandates a minimum of \$6.15 and one mandates a minimum of \$7.25, for instance, the employer can comply with both only by paying at least \$7.25. Minnesota has a two-tier minimum wage. For small employers—those with annual sales volumes of less than \$625,000—the Minnesota minimum wage rate is \$5.25 per hour. For large employers (\$625,000 or more in annual sales), the state minimum wage rate is \$6.15. The state minimum wage rate for large employers is currently lower than the federal minimum wage rate. Thus, employers covered by both state and federal law must pay at least \$7.25 per hour.

***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 by the employer, regardless of whether they also receive tips. Further, the employer cannot require employees to share tips with the employer or with other employees, because the tips are the exclusive property of the person who receives them.

This differs from federal law, which allows a partial tip credit as long as the employer can prove that the employee actually receives enough tips to make up the difference between the lower hourly wage the employer pays and the statutory minimum wage.

***When was the minimum wage last increased?***

The most recent increase in the federal minimum wage became effective in July 2009. The most recent increase in the state minimum wage became effective in August 2005.

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

According to information published by the U.S. Department of Labor in January 2012, five states have no minimum wage laws, 18 states plus the District of Columbia have minimum wages higher than the federal minimum, 23 states plus Guam and the Virgin Islands have minimum wages the same as the federal minimum, and four states plus Puerto Rico have minimum wage rates lower than the federal minimum (including Minnesota).

***Who enforces minimum wage laws?***

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

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