

CLIENT ALERT: Massachusetts Minimum Wage to Increase to \$11 Per Hour with First Phased Increase Beginning January 1, 2015

Massachusetts has increased its state minimum wage rate to \$11 per hour. Increases will be made in three incremental steps over two years. The first minimum wage increase to \$9 per hour for non-exempt workers and \$3 for tipped workers begins in January 1, 2015, and will remain effective for one year. Beginning in January 1, 2016, the minimum wage rises to \$10 per hour and the rate for tipped workers will rise to \$3.35 per hour during this one year period. The final increase, effective January 1, 2017, will require that employers pay non-exempt employees not less than \$11 per hour and \$3.75 to tipped workers.

The state minimum wage law applies to employees engaged in an occupation in Massachusetts. Some agricultural workers, those in professional service, employees in rehabilitation programs and some outside sales employees are exempt from the minimum wage requirement. The federal minimum wage is \$7.25 per hour; however, employers are usually required to comply with the law most favorable to employees.

The tipped or "service rate" is applicable to employees who receive most of their income from tips, if certain conditions are met. To qualify, employees must receive at least \$30 per month in tips. In addition, tips received combined with the service rate must equal the regular applicable minimum wage. If employees share tips with others, the pooling arrangement must comply with the provisions of the Massachusetts tip pooling law to qualify for the service rate. Employees must also receive notice of the provisions of service rate rules.

The Massachusetts minimum wage will remain at \$8 for non-tipped employees and \$2.63 for tipped employees, through the end of 2014.

Non-Tipped employees minimum wage increases on:

- January 1, 2015 to \$9.00
- January 1, 2016 to \$10.00
- January 1, 2017 to \$11.00

Tipped employees minimum wage increases on:

- January 1, 2015 to \$3.00
- January 1, 2016 to \$3.35
- January 1, 2017 to \$3.75

The new minimum wage law, **which was signed by Governor Deval Patrick on June 26, 2014**, also includes provisions revising the state's unemployment insurance program, creates a council to address the so-called "underground economy" and establishes an occupational health and safety advisory board for public employees.

The council on employee misclassification and the "underground economy" will be responsible for preventing concealment of tax liability, "wage theft," and unreported payment of wages. The seventeen member council is charged with encouraging businesses and individuals to identify violators by soliciting information from the public, facilitating the filing of complaints, and soliciting the cooperation and participation of district attorneys and other relevant enforcement agencies.

Employers should contact their MBJ attorney for assistance in complying with the new law.

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