

Tiered Minimum Wage Laws

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Issue

This report describes “tiered” minimum wage laws in other states.

Summary

According to the [National Conference of State Legislatures](#), nine states currently have laws that set different minimum hourly wage requirements for employers based on certain criteria, such as the employer’s size or location. Most commonly, these minimum wage “tiers” allow smaller businesses to pay a lower minimum wage, based on either their sales or business volume (Minnesota, Missouri, Montana, Ohio), their number of employees (California, parts of New York), or both (Oklahoma). Others vary according to an employer’s location to better account for the varying costs of living in different regions of the state (New York, Oregon). In Nevada, employers who do not offer certain health insurance benefits to their employees must pay a higher minimum wage.

A brief description of each of these states’ minimum wage tier system is below. This report does not include common minimum wage exceptions that are specific to certain types of employees (e.g., tipped wait staff, casual babysitters) or that allow certain types of employees to be paid a reduced minimum wage for a limited period (e.g., certain trainees and apprentices).

California

Starting in 2017, California’s law began phasing in increases to its minimum wage based on an employer’s number of employees ([Cal. Labor Code § 1182.12](#)). For employers with at least 26 employees, the increases began in 2017 and continue until they reach \$15 in 2022. For employers with 25 or fewer employees, the increases began in 2018 and continue until they reach

\$15 in 2023. In addition, the governor may temporarily suspend the scheduled increases under certain economic conditions. Once the minimum wage reaches \$15 for both employer classes, future adjustments to it will be annually indexed to inflation, regardless of employer size. Table 1 shows the increase schedule.

Table 1: Schedule for California Minimum Wage Rates, 2017-2023

Year	Employers with 25 Employees or Less	Employers with at least 26 Employees
2017	\$10.00	\$10.50
2018	\$10.50	\$11.00
2019	\$11.00	\$12.00
2020	\$12.00	\$13.00
2021	\$13.00	\$14.00
2022	\$14.00	\$15.00
2023	\$15.00	\$15.00

Source: https://www.dir.ca.gov/dlse/faq_minimumwage.htm

Minnesota

Minnesota’s minimum wage law sets different minimums for small and large employers based on the employer’s gross annual volume of sales made or business done ([Minn. Stat. § 177.24](#)). Generally, those who have less than \$500,000 in gross annual sales or business are considered “small employers,” and those with at least \$500,000 in gross annual sales or business are considered “large employers.” For [2018](#), the minimum wage is \$7.87 for small employers and \$9.65 for large employers. Starting in 2018, the minimum wage for both types of employers is annually adjusted for inflation.

Missouri

Missouri’s [current minimum wage](#) is \$7.85 and annual adjustments to it are indexed to inflation. But under the state’s law, the minimum wage requirement does not apply to employees of retail or service businesses with less than \$500,000 in annual gross volume of sales made or business done ([Mo. Rev. Stat. § 290.500](#)). (Exempted employers would still be subject to the \$7.25 federal minimum wage requirement, if applicable.)

Montana

Montana's [current minimum wage](#) is \$8.30, with annual adjustments indexed to inflation, for businesses with gross annual sales over \$110,000. For businesses with annual sales below that threshold, the state's law sets a \$4.00 minimum wage requirement (which would apply to employers who were also exempt from the \$7.25 federal minimum wage requirement; [Mont. Code § 39-3-409](#)).

Nevada

Under its state constitution, Nevada's minimum wage tiers depend on whether an employer provides qualifying health benefits ([Nev. Const. art. 15 § 16](#)). Currently, those who provide such benefits [must](#) pay a \$7.25 minimum wage, and those who do not must pay an \$8.25 minimum wage. Changes to both minimums are generally indexed to inflation. In general, an employer may pay an employee the lower minimum wage if it offers the employee health insurance with premiums that do not cost the employee more than 10% of his or her gross taxable income from the employer.

New York

In 2016, New York enacted a [law](#) to gradually increase its minimum hourly wage from \$9.00 to \$15 depending on an employer's location in the state and, in New York City, the employer's number of employees ([N.Y. Labor Law § 652](#)). The required minimum hourly wages and their effective dates are shown in Table 2. (The table does not include the state's Wage Order regulations which also set certain industry-specific wage requirements that may differ from the general minimum wage law.)

Table 2: New York State Minimum Wage Law Requirements

	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21
New York City Employers with 10 employees or less	\$10.50	\$12.00	\$13.50	\$15.00	\$15.00	\$15.00
New York City Employers with at least 11 employees	\$11.00	\$13.00	\$15.00	\$15.00	\$15.00	\$15.00
Westchester County and Long Island (any size employer)	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00
Remainder of New York State (any size employer)	\$9.70	\$10.40	\$11.10	\$11.80	\$12.50	Annually indexed to inflation until it reaches \$15.00

Ohio

Ohio's state constitution establishes a minimum wage for employers with annual gross receipts above a certain threshold. Both the minimum wage and the gross receipts threshold are annually adjusted for inflation ([Ohio Const. art. 2 § 34a](#)). [Currently](#), employers with annual gross receipts of at least \$305,000 must pay an \$8.30 minimum wage. Employers with receipts below the threshold must pay the \$7.25 federal minimum wage.

Oklahoma

Oklahoma sets its minimum wage at the same level as the federal minimum wage ([Okla. Stat. tit. 40, § 197.2](#)). It only applies, however, to employers that have (1) more than 10 full-time employees, or their equivalent, at any one location or place of business or (2) a gross annual business over \$100,000 ([Okla. Stat. tit. 40, § 197.4](#)).

Oregon

In 2016 [Oregon](#) enacted a [law](#) that established three different minimum wage rates based on an employer's location: a standard rate, a higher rate for employers located within a metropolitan service district's urban growth boundary (i.e., Portland's metropolitan area), and a lower rate for employers in certain "nonurban" counties ([Or. Rev. Stat. § 653.025](#)). The law phases in increases for the three rates over the next several years and then indexes them to inflation in 2023, as shown in Table 3.

Table 3: Oregon Minimum Wage Rate Schedule

Date	Standard	Portland Metro	Nonurban Counties
January 1, 2016	\$9.25	\$9.25	\$9.25
July 1, 2016	\$9.75	\$9.75	\$9.50
July 1, 2017	\$10.25	\$11.25	\$10.00
July 1, 2018	\$10.75	\$12.00	\$10.50
July 1, 2019	\$11.25	\$12.50	\$11.00
July 1, 2020	\$12.00	\$13.25	\$11.50
July 1, 2021	\$12.75	\$14.00	\$12.00
July 1, 2022	\$13.50	\$14.75	\$12.50
July 1, 2023	Adjusted annually based on the increase, if any, to the US City average Consumer Price Index for All Urban Consumers	\$1.25 over the standard minimum wage	\$1 less than the standard minimum wage

Source: <https://www.oregon.gov/boli/WHD/OMW/Pages/Minimum-Wage-Rate-Summary.aspx>

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