

# EMPLOYMENT LAW SUMMARY

## Arizona: Minimum Wage Laws



Federal minimum wage law is governed by the Fair Labor Standards Act (FLSA). The current federal minimum wage rate is \$7.25 per hour for nonexempt employees. The Arizona Minimum Wage Act (AMWA) complements federal law and, in some cases, prescribes more stringent or additional requirements that employers must follow. Whenever state and federal laws conflict, the law that is more favorable to the employee applies.

The [Arizona Labor Department](#), part of the [Industrial Commission of Arizona](#) (ICA), enforces these requirements throughout the state.

### Minimum Wage Rate

Arizona's minimum wage rate is adjusted annually to reflect changes in the cost of living each, as shown in the table below. However, employers should be mindful of local laws, ordinances and any rule or regulation that may increase an employee's minimum wage rate. Unlike many other state minimum wage laws, the AMWA does not allow employers to pay subminimum wages for certain employee categories, such as young workers, students or apprentices.

Effective Date	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024
<b>State rate</b>	\$12.15	\$12.80	\$13.85	\$14.35
<b>Tipped Employees</b>	\$9.15	\$9.80	\$10.85	\$11.25

### Tipped Employees

Arizona allows employers to pay a lower minimum wage to tipped employees. This rate, also known as the cash wage, is calculated by subtracting the \$3 state tip credit from the current minimum wage rate.

The law allows employers to use a \$3 per hour tip credit because it assumes that an employee's tips will be sufficient to enable the employee to receive wages at, or above, the state's minimum wage rate. Employers that want to use the tip credit must notify their employees in writing and upon hire that their wages are calculated using tips, a tip credit and a cash wage. Employers must subsidize their tipped employees' each time their tips are insufficient to meet minimum wage requirements.

A tipped employee is an individual who is engaged in an occupation in which tips or gratuities are customarily exchanged for services. Tip credit provisions are available to tipped employees only during the hours they actually work in a tipped occupation. The tip credit does not apply for the hours an employee works in non-tipped occupations, such as maintenance and general preparation work.

## Minimum Wage Rate Exemptions

The following are exempt from AMWA minimum wage requirements:

- Employees working for a parent or a sibling;
- Babysitters working at their employer's home on a casual basis;
- Federal and state employees;
- Independent contractors; and
- Small business employees if their employers have less than \$500,000 in gross annual revenue and are exempt from minimum wage requirements under the FLSA.

## Notice and Postings

Employers with \$500,000 or more in gross annual revenue must post a notice advising employees of their employment rights. The notice must be displayed in a conspicuous place where employees regularly pass by and can see it. Employers are responsible for making sure the notice is not removed, altered, defaced or covered by other materials. In addition, employers must notify their employees in writing upon hiring of the employer's business name, address and telephone number.

## Retaliation

The ICA presumes that employers retaliate against an employee if they discharge, terminate, discipline or otherwise take an adverse action within 90 days of when an employee files a complaint, assists the ICA in a wage investigation or informs other individuals of their rights. Employers that retaliate against their employees may be ordered to pay fine of at least \$150 for each day the retaliation continues or until a legal judgment is final.

## Penalties

Employers that violate the AMWA are subject to a civil penalty of at least:

- \$250 for a first violation; and
- \$1,000 for subsequent or willful violations.

In addition, employees can recover unpaid wages, interest on any unpaid wages and an additional amount equal to twice the amount of unpaid wages, reasonable attorney's fees and court costs. Employers that violate the AMWA may also be subject to special monitoring and inspections. Employers may be held liable for actions that are filed within two years (three years for willful violations) of when a violation takes place.

## More Information

Contact Heffernan Insurance Brokers for more information on wage payment and work hour laws in Arizona.

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