

EMPLOYMENT LAW SUMMARY

Iowa: Minimum Wage and Work Hours Laws



Because You're Different

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. Iowa wage laws complement federal law and, in some cases, prescribe more stringent or additional requirements that employers must follow. Whenever employers are subject to both state and federal laws, the law that provides the greater protection to the employee will apply.

The [Iowa Division of Labor](#) (IDOL), part of the [Iowa Workforce Development Department](#), enforces and investigates minimum wage violation claims.

EMPLOYERS SUBJECT TO MINIMUM WAGE LAWS

Employers with annual gross sales or a business transaction volume of **\$300,000 or more** are subject to Iowa's minimum wage laws, regardless of whether they are public, private, for-profit or nonprofit entities.

Employers with a sales or transaction volume of less than \$300,000 are exempt from state minimum wage requirements, unless they are a "**named enterprise**." Named enterprises include:

- Public agencies;
- Schools, preschools and institutions of higher learning;
- Public transportation subject to state or local regulation;
- Most daycares;
- Employers engaged in construction;
- Employers engaged in laundry or dry cleaning; and
- Hospitals and residential care facilities for the sick, elderly, mentally or physically handicapped or gifted children.

Minimum wage laws also apply to domestic service employees who receive wages of **at least \$100 during a calendar year** or work for **more than eight hours during any workweek**.

Independent contractors and certain owner-operators of trucks, road tractors or truck tractors are not subject to Iowa's minimum wage laws.

MINIMUM WAGE RATE

Employers subject to Iowa's minimum wage laws must pay their employees a wage rate of at least **\$7.25 per hour** or the federal wage rate, whichever is higher.

Employee wages are defined as the entire amount of compensation the employee receives for his or her labor or services, including bonuses and commissions. Wages can be fixed or based on time, task, production, commission or other method.

TRAVEL TIME

In general, employers are not required to compensate their employees for any time they spend commuting to and from work if:

- Transportation is provided as a convenience for employees;
- Employees do not work during the commute;
- No collective bargaining agreement requires compensation for travel; and
- Employer-supplied transportation is not required to report to work.

Employers must compensate their employees for any time they spend traveling between worksites during working hours.

BOARDING, LODGING AND FACILITIES CREDIT

Employers can claim a boarding, lodging and facilities credit when calculating an employee's wage rate. The credit is available if boarding, lodging or facility costs are customarily furnished by the employer to its employees and not excluded from employee wages by a collective bargaining agreement. In some instances, the LSD has determined the maximum credit employers can claim for these services.

Facilities Usually Included in Wages

- Tools, materials and services related to trade
- Uniforms and their laundering
- Meals at company restaurants, cafeterias and hotels
- Room, board and tuition for college to student employees
- Housing for dwelling purposes
- Free food, clothing and household goods from company stores and commissaries
- Fuel, electricity, water and gas for noncommercial, personal use
- Transportation to and from work provided as a convenience to employees

Facilities Usually Excluded from Wages

- Shares of capital stock
- Safety caps
- Explosives
- Miners' lamps
- Electric power for commercial use
- Company police and guard protection
- Taxes and insurance on buildings not used for employee housing
- Chamber of commerce dues
- Uniform renting fees
- Medical services required under workers' compensation law

SUBMINIMUM WAGE RATES

Iowa law allows employers to pay wages below the minimum wage rate during an employee's initial work period. Employers are also allowed to pay subminimum wages to tipped employees and individuals covered by a certificate for subminimum wages.

INITIAL EMPLOYMENT WAGE RATE

Employers can pay a subminimum wage rate of **\$6.35 per hour** to their employees during the **first 90 days of employment**. After this 90-day period, employers must pay their employees a wage rate at least equal to the state minimum wage rate.

Employers cannot terminate and rehire employees solely to take advantage of the 90-day initial employment wage rate. Employers must credit toward the 90-day period any number of days rehired employees have worked for **them during the previous three years**.

TIPPED EMPLOYEES

A tipped employee is an individual engaged in an occupation where he or she customarily and regularly receives **at least \$30 per month** in tips. A tipped employee's wages consist of a **service rate** plus all the tips the employee receives in the performance of his or her services. The service rate in Iowa is **\$4.35 per hour**, calculated by subtracting the tip credit from the minimum wage rate. The **tip credit** in Iowa is **40 percent** of the minimum wage rate.

Iowa law allows employers to pay a lower minimum wage rate to tipped employees because it assumes that the employee's tips will offset the difference between the service rate and the minimum wage rate and allow the employee to receive wages at or above the minimum wage rate.

Employers must subsidize a tipped employee's wages as necessary to ensure that the employee's wages (tips plus service rate) do not fall below the state's minimum wage rate.

SUBMINIMUM WAGE CERTIFICATES

Iowa recognizes and honors certificates for subminimum wages issued by the federal government. These certificates allow employers to pay wages below the minimum federal wage to disabled workers, student workers, student learners, messengers, apprentices and learners. For more information on subminimum wage certificates, visit the U.S. Department of Labor (DOL) [website](#).

MINIMUM WAGE RATE EXEMPTIONS

Iowa minimum wage rate requirements generally do not apply to:

- Individuals exempt by the FLSA;
- Independent contractors, including persons who mow lawns and perform other yard work with their own equipment on their own schedule;
- Individuals working for a business with an annual gross volume of sales or business (not counting taxes at the retail level) of less than \$300,000;
- Agricultural workers who:
 - Are immediately related to their employer;
 - Work in the range production of livestock;
 - Work for employers that used fewer than 500 man-days of labor in any quarter of the previous calendar year; or
 - Are hand harvest laborers paid on a piece rate basis (if customary for the operation) who commute daily to work and have been employed in agriculture for fewer than 13 weeks during the previous calendar year;
- Babysitters and companions for the elderly whose employment is casual and who provide services for individuals that are unable (because of age or infirmity) to care for themselves;
- Bona fide executive, administrative and professional employees (including academic administrators and elementary or secondary school teachers);
- Outside sales personnel;
- Volunteer workers;
- Property managers;
- Retail or service establishment employees (except for individuals working for covered employers);
- Domestic employees employed by households or family members to work in private residences;
- Taxi cab drivers, interstate drivers and their helpers;
- Motor carrier loaders and mechanics;
- Students employed by sororities, fraternities, college clubs and dormitories;
- Students employed in a work-experience study program;
- Individuals working in charitable institutions laundries (institution cannot pay wages to workers or inmates);
- Individuals working for an amusement or recreational establishment, organized camp or religious or nonprofit education conference center that does not operate for more than seven months in a calendar year;
- Newspaper delivery and publication employees, when the newspaper has a circulation of less than 4,000 and its major circulation is within the county (or contiguous counties) where the paper is published;
- Seafood processing employees (individuals employed in the canning, catching, cultivating, farming, harvesting, packing, processing, propagating or taking of any kind of fish, shellfish, crustaceans, sponges, seaweeds and other aquatic forms of animal and vegetable life);
- Stevedores (loading and unloading dock workers) on foreign vessels; and
- Switchboard operators working for an independently owned public telephone company having no more than 750 stations.

OVERTIME PAY

Iowa law contains no specific provisions for overtime wage payment. Payment of overtime wages in the state is controlled by the FLSA, which requires employers to pay their employees **one and one-half times their regular wage rate for any hours worked over 40 hours during a workweek.**

For more information on federal overtime pay requirements, contact Heffernan Insurance Brokers or visit the U.S. DOL [website](#).

NOTICE AND POSTING REQUIREMENTS

Iowa law requires employers to post and maintain updated information regarding the state's minimum wage rate.

Employers must also display information regarding regular paydays and the place and time of payment. Employers must display this information in a place where employees regularly pass by and can read it. The LSD provides a [model poster](#) that employers can use to satisfy this requirement.

In addition, employers that have settled a lawsuit or claim for unpaid wages or have been ordered to pay a civil penalty for violating the Wage Payment Collection Law must notify their employees of:

- Their wages and regular paydays (in writing);
- Any changes that reduce wages or alter regular pay days, at least one pay period before the changes take place (can be posted with other required workplace postings); and
- Agreements and employment policies regarding vacation pay, sick leave, reimbursement for expenses, retirement benefits, severance pay and other wage-related matters (upon written request by the employee).

PROHIBITED PRACTICES

Iowa law prohibits employers from paying lower wages to employees solely on the basis of color, race, national origin, age, disability, religion or creed, gender identity, sex or sexual orientation. However, employers may pay different wage rates to employees in positions of similar working conditions and requiring equal levels of skill, effort and responsibility, if done under a system based on seniority, merit or that measures earnings by quality or quantity of production. Employers with **fewer than four employees** are exempt from these requirements. Workers who are immediately related to their employer are not counted as employees under this exemption.

PENALTIES

Employers that violate minimum wage laws are subject to a **civil penalty of up to \$500 per pay period** for each violation. Employers can contest a penalty by requesting a hearing with the LSD or judicial review from a district court **within 30 days** of when they receive notice of the sanction. An employer may be required to deposit the amount of the penalty it is contesting with the district court.

CALCULATING WORK HOURS

When determining the hours an employee works during a workweek, employers must include all the time the employee is permitted to work, is required to be on the employer's premises or is on duty and not completely relieved of all job responsibilities (including on-call time, meal breaks and rest periods). Generally, any time the employee spends changing clothes or washing at the beginning or end of each workday is not compensable time.

REST PERIODS AND BREAKS

As a general rule, Iowa law does not require employers to provide and compensate their employees for meal breaks or rest periods. However, many employers still provide these benefits because of collective bargaining agreements, federal regulations or concerns over productivity, health, safety and morale.

MORE INFORMATION

Please contact Heffernan Insurance Brokers for more information on wage payment and work hour laws in Iowa.

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