

# CARBIS WALKER LLP OUTSOURCING

# Alert

by Carbis Walker LLP, Certified Public Accountants & Consultants

## Federal Minimum Wage Increase

For the first time since September 1997 the federal minimum wage will be increased. President Bush signed legislation on May 25, 2007, that will increase the minimum wage for all employees covered under the FLSA. This may or may not affect your state minimum wage. The general rule is that an employee covered by both state and federal wage-hour law **must be paid the higher amount**.

The increase will not affect Pennsylvania minimum wage until July 24, 2009, but will affect Ohio minimum wage immediately for small employers (gross receipts less than \$250,000).

The hourly wage increases for work done by employees covered under the FLSA on the effective dates listed below.

	Effective Date		Minimum Wage
<b>FEDERAL</b>	September 1, 1997		\$5.15
	July 24, 2007		\$5.85
	July 24, 2008		\$6.55
	July 24, 2009		\$7.25
<b>PENNSYLVANIA</b>	July 1, 2007	Less than 10 employees	\$6.65
	July 1, 2007	More than 10 employees	\$7.15
	July 1, 2008	Less than 10 employees	\$7.15
	July 24, 2009	Per Federal, all businesses if not updated sooner	\$7.25
<b>OHIO</b>	January 1, 2007	Gross receipts < \$250,000	\$5.15
	January 1, 2007	Gross receipts > \$250,000	\$6.85
	July 24, 2007	Gross receipts < \$250,000	\$5.85
	July 24, 2008	Gross receipts < \$250,000	\$6.55
	July 24, 2009	Per Federal, all businesses if not updated sooner	\$7.25

Minimum Cash Wage for Tipped Employees does not change, but the maximum tip credit must increase so that tipped employees meet minimum wage requirements when total cash wage and tip credit is added and divided by number of hours worked.

	Effective Date	Minimum wage for tipped employees
<b>FEDERAL</b>	September 1, 1997	\$2.13
<b>PENNSYLVANIA</b>	September 1, 1997	\$2.83
<b>OHIO</b>	September 1, 1997	50% of minimum wage

For those employers with tipped employees that file for a FICA tax credit, the new legislation freezes the minimum wage at \$5.15 per hour to give the employer the most favorable business tax credit.

Please remember that for employees covered under the FLSA, any hours **worked** over a standard 40 hour work week is overtime and must be paid at 1.5 times the regular hourly rate. Vacation, sick, and other forms of paid time off do not count toward the 40 hours worked.

If you have questions regarding this information, or employees in states other than Pennsylvania and Ohio and would like information on how the Federal Minimum Wage law will affect those employees, please contact **Kathy Graziani, Manager of Outsourcing Services**, at 724.658.1565, or 800.452.3003 (option 1).