

IOWA'S NEW MINIMUM WAGE LAW

On January 25, 2007, Governor Chet Culver signed legislation increasing the Iowa minimum wage. Effective April 1, 2007, the required Iowa minimum wage will increase from \$5.15 per hour to \$6.20 per hour. On January 1, 2008, it will increase to \$7.25 per hour.

Information about the new Iowa minimum wage is available below in an understandable question and answer format. Employers may also download a copy of the Iowa Minimum Wage Law poster at: www.iowaworkforce.org/labor/minwage.pdf free.

If you have specific questions about applicability of the new Iowa Minimum Wage to you or your business, contact Stephan R. Hampton, Executive Officer, Wage Payment and Minimum Wage, Iowa Division of Labor, IWD at Stephan.Hampton@iwd.state.ia.us or call at (515) 281-5337.

IOWA MINIMUM WAGE LAW QUESTIONS & ANSWERS

(1) **Question:** When does the new Iowa Minimum Wage Law go into effect?

Answer: April 1, 2007.

(2) **Question:** What is the new Iowa minimum wage?

Answer:

- Through March 31, 2007: \$5.15 per hour.
- Beginning April 1, 2007: \$6.20 per hour.
- Beginning January 1, 2008: \$7.25 per hour.

(3) **Question:** Who must comply with the new Iowa Minimum Wage Law?

Answer: Generally, employers that gross at least \$300,000 in sales or business per year must comply with the new Iowa Minimum Wage Law. In addition, some types of employers or “named enterprises” must comply with the law regardless of business volume.

(4) **Question:** What are these “named enterprises” that must comply with the Iowa Minimum Wage Law, regardless of sales or business volume?

Answer: “Named enterprises” that must comply with the Iowa Minimum Wage Law regardless of business volume include: all public agencies; all hospitals and residential care facilities for the sick, elderly, mentally or physically handicapped or gifted children; all schools and preschools; all public transportation subject to state or local regulation; most daycares; and employers engaged in construction, laundry and dry

cleaning. [Note: Certain in-home daycares with five or fewer children and with only one employee, or whose only employees are members of that individual's immediate family, are excluded from the minimum wage law.] Some types of employers are not required to comply with the Iowa Minimum Wage Law, such as certain employers in agriculture, certain summer camps, and others.

(5) Question: Is Iowa's Minimum Wage Law the same as the federal minimum wage law, the Fair Labor Standards Act (FLSA)?

Answer: No. While there is considerable overlap between the two laws, there are at least two very critical differences:

One, as of April 1, 2007, the Iowa law calls for a new minimum wage of \$6.20 per hour, which is higher than the current federal minimum wage.

Two, the new Iowa Minimum Wage Law requires that an employer grossing at least \$300,000 in sales or business per year must pay the new higher Iowa minimum wage, unless some other exception applies. The current federal minimum wage law sets that requirement at \$500,000, with some exceptions.

(6) Question: If my company is covered under the federal minimum wage law, do I still have to comply with the new Iowa Minimum Wage Law?

Answer: Yes, as long as the Iowa minimum wage is higher than the federal minimum wage, a covered Iowa employer must pay no less than the Iowa minimum wage.

(7) Question: Doesn't the federal minimum wage law "trump" the Iowa law?

Answer: No, the federal minimum wage law does not "trump" the Iowa law. States are allowed to require employers to pay more than the federal law. Where state law requires a higher minimum wage, the higher standard applies.

(8) Question: Does the Iowa Division of Labor enforce laws for overtime pay?

Answer: No. Overtime pay is a federal requirement found in the Fair Labor Standards Act (FLSA) that is enforced by the U.S. Department of Labor. Iowa does **not** have a separate overtime law. For more information about the federal FLSA, contact the U.S. Department of Labor's Wage and Hour office at 515-284-4625 or visit their web site at www.dol.gov.

(9) Question: What happens to an employer that does not follow the new Iowa Minimum Wage Law?

Answer: An employer that does not follow the new Iowa Minimum Wage Law between

April 1, 2007 and July 1, 2007 may be required to make up the difference between what is paid and what it should have paid under the new minimum wage law. A violator may have to pay attorneys fees, interest, and court costs. After July 1, 2007, an employer that has intentionally failed to pay wages due, may also be required to pay “liquidated damages.” These “liquidated damages” could, in effect, double what the employer owes. After July 1, 2007, an employer may also be assessed penalties of up to \$100 for each violation of the minimum wage law.

(10) Question: I am an employee who believes I am not being paid the required Iowa minimum wage. What should I do?

Answer: If you believe you are owed wages, you can file a wage claim with the Iowa Division of Labor. You can download a Wage Claim Form at www.iowaworkforce.org/labor/wage.htm, or request a form be mailed to you by calling 1-800-562-4692. You also have the right to pursue your claim on your own behalf in court.

(11) Question: Can an employer pay less than the new Iowa minimum wage for the first 90 days of employment?

Answer. Yes, as of April 1, 2007, an Iowa employer is allowed to pay a new hire an “initial employment wage” of \$5.30 an hour for the first 90 days of the new hire’s employment. That “initial employment wage” rate increases to \$6.35 an hour as of January 1, 2008.

(12) Question: Is Iowa’s “initial employment wage” the same thing as the “training wage” that is included in the federal Fair Labor Standards Act?

Answer: No. Iowa’s “initial employment wage” applies to *any* new employee for the first 90 calendar days of employment. The federal Fair Labor Standards Act (FLSA) has a “training wage” provision that allows certain employees, generally only those under the age of 20 and certain students and disabled workers, to be paid a subminimum “training wage.” Information about the federal “training wage” can be obtained by contacting the U.S. Department of Labor’s Wage and Hour office at 515-284-4625 or by visiting their web site at www.dol.gov.

(13) Question: What happens if I pay an Iowa employee the “initial employment wage” for the first 90 calendar days, and the employee works a little longer, and then quits? A year later, I rehire this employee. Can I use the “initial employment wage” again?”

Answer: No. Iowa’s “initial employment wage” may only be paid for a total of 90 calendar days of employment with the same employer. The 90 calendar days may encompass more than one hiring period, but full minimum wage pay must commence on the 91st day.

(14) Question: I am a tipped employee. Will the new Iowa minimum wage increase my earnings?

Answer: The employer will be required to pay 60% of the new minimum wage. This means you must be paid \$3.72 per hour by the employer beginning April 1, 2007. On January 1, 2008, the employer must begin paying you \$4.35 per hour for each hour worked. Additionally, in any work week, if the wage the employer pays you and the tips you receive do not average *at least* the full minimum wage of \$6.20 (or \$7.25 as of January 1, 2008), the employer is required to pay the difference.

(15) Question: Do I need to change the posters in my workplace that state the old Iowa minimum wage?

Answer: Yes, an employer must put up a new Iowa minimum wage poster when the new law goes into effect on April 1, 2007. A free updated Iowa poster is available at: <http://www.iowaworkforce.org/labor/minwage.pdf>

(16) Question: If the federal minimum wage changes, will I have to change my federal minimum wage poster?

Answer: Yes. Iowa Workforce Development will provide you with information on where to get the new free federal minimum wage poster if it changes.

(17) Question: When will I be able to get a new free “9-in-1” poster from Iowa Workforce Development that contains the required Iowa Minimum Wage Law poster, along with other required posters?

Answer: A new version of Iowa Workforce Development’s free “9-in-1” poster will be made available in the Fall of 2007.