

Arizona's Minimum Wage

The following FAQ have been taken from the Arizona Industrial Commission website. For additional, or more detailed, information, please go to: <https://www.azica.gov/frequently-asked-questions-about-wage-and-earned-paid-sick-time-laws>

What is Arizona's minimum wage?

Until January 1, 2017, Arizona's minimum wage will remain \$8.05 per hour. Beginning January 1, 2017, the Arizona minimum wage will be increased to \$10.00 per hour. The Industrial Commission's 2017 model minimum wage notice is available [here](#).

Under Proposition 206, the Fair Wages and Healthy Families Act (the "Act"), Arizona minimum wage will increase to \$10.50 per hour in 2018; \$11.00 per hour in 2019; and \$12.00 per hour in 2020. On January 1, 2021, the Arizona minimum wage will increase each year by the cost of living.

Employers required to comply with the Act's minimum wage requirements will be required to pay each employee wages not less than the applicable minimum wage for each hour worked. For more information about which employers are subject to Arizona's minimum wage laws, see [Which employers are subject to the Arizona's minimum wage laws?](#) Arizona does not allow a sub-minimum wage for different classes of employees (e.g., young workers, students, etc.). Minimum wage must be paid for all hours worked, regardless of the frequency of payment and regardless of whether the wage is paid on an hourly, salaried, commissioned, piece rate, or any other basis.

Note: Employers will still be permitted to pay employees receiving tips up to \$3.00 per hour less than the minimum wage, provided that the employees earn at least minimum wage for all hours worked each week (when tips are included). For further information regarding payment of minimum wages to tipped employees, see [What is the Arizona minimum wage for tipped employees?](#)

How does Proposition 206 – The Fair Wages and Healthy Families Act affect minimum wage?

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Which employers are subject to Arizona’s minimum wage laws?

Arizona’s minimum wage laws apply to all “employers.” Arizona law defines an “employer” in the minimum wage context as any corporation, proprietorship, partnership, joint venture, limited liability company, trust, association, political subdivision of the state, individual or other entity acting directly or indirectly in the interest of an employer in relation to an employee, but does not include the state of Arizona, the United States, or a small business. The definition of “employer” in the minimum wage context was not changed by Proposition 206, the Fair Wages and Healthy Families Act.

“Small businesses,” as the term is defined by Arizona law, are excluded from the definition of employer and are exempt from the minimum wage requirements. Arizona law defines a “small business as any corporation, proprietorship, partnership, joint venture, limited liability company, trust, or association that has less than five hundred thousand dollars in gross annual revenue and that is exempt from having to pay a minimum wage under section 206(a) of title 29 of the United States Code.” Section 206(a) of title 29 of the United States Code is a subsection of the federal Fair Labor Standards Act (FLSA) that requires employers whose employees or enterprises are engaged in “commerce” to pay their employees a minimum wage.

Under the FLSA, “commerce” is a broad term that refers to any form of commercial interstate interaction. “Commerce” includes (but is not limited to) taking payments from out-of-state customers; processing payments that come from out-of-state banks or credit card issuers; using a telephone, fax machine, U.S. Mail, or email to communicate with someone in another state; driving or flying to another state for job duties; and loading, unloading, or using goods that come from an out-of-state supplier (assuming that the goods were purchased from the out-of-state supplier).

Due to these restrictive requirements, few businesses in today’s economy would qualify as exempt from having to pay minimum wage under either the FLSA or Arizona minimum wage statutes. Examples of small businesses that the ICA Labor Department has determined may meet the exemption are barbers and janitors who buy all of their supplies locally and accept only cash or checks from Arizona banks.

Are any employers or employees exempted from Arizona’s minimum wage laws?

Unlike the Federal Fair Labor Standards Act (which governs the payment of minimum wage on a federal level), Arizona’s minimum wage laws have very few exemptions. Arizona’s minimum wage requirements apply to any employee except the following:

- A person who is employed by a parent or a sibling.
- A person who is employed performing babysitting services in the employer’s home on a casual basis.
- A person employed by the State of Arizona or the United States government.
- A person employed in a “small business” grossing less than \$500,000 in annual revenue, if that small business is not required to pay minimum wage under the Federal Fair Labor Standards Act. This exclusion for small businesses under Arizona minimum wage law is

very limited. Given current economic realities, most Arizona businesses who gross less than \$500,000 will still be subject to the Arizona minimum wage laws. For additional discussion of the “small business” exemption, see [the preceding question](#).

Does the Arizona minimum wage apply to part-time or temporary employees?

Yes. The Arizona minimum wage laws make no distinction between full-time, part-time, or temporary employees.

Does the Arizona minimum wage apply to independent contractors?

Except for the exemptions described here, the Arizona minimum wage laws apply only to the payment of wages to employees. Arizona’s minimum wage laws do not apply to independent contractors.

Does the Arizona minimum wage apply to volunteers?

No. An individual that works for another person without any express or implied compensation agreement is not an employee under Arizona minimum wage laws. This may include an individual that volunteers services for civic, charitable, or humanitarian reasons that are offered freely and without direct or implied pressure or coercion from an employer, provided that the volunteer is not otherwise employed by the employer to perform the same type of services as those for which the individual proposes to volunteer.

May an employer take a credit against the minimum wage for tools or uniforms?

No. Unless included by a bona fide collective bargaining agreement applicable to the particular employee, an employer may not claim a credit towards minimum wage for the cost of any tools, equipment, uniforms, or any other garment worn by an employee as a condition of employment. This also includes the cleaning or maintenance of uniforms and tools.

Is an employer subject to Arizona’s minimum wage laws required to pay at least minimum wage for all hours worked?

Yes. Minimum wage shall be paid for all hours worked regardless of the frequency of payment and regardless of whether the wage is paid on an hourly, salaried, commissioned, piece rate, or any other basis. If in any workweek the combined wages of an employee are less than the applicable minimum wage, the employer shall pay, in addition to sums already earned, no less than the difference between the amounts earned and the minimum wage as required under Arizona’s minimum wage laws.

How does an employer determine whether a commissioned employee was paid at least minimum wage in a given workweek?

To determine whether an employer has paid a commissioned employee minimum wage for each hour worked in a given workweek, the employer may combine all monetary compensation (including commissions) earned by the employee during the applicable workweek. If the combined compensation is less than the applicable minimum wage multiplied by the hours that the employee worked that workweek, the employer must make up the difference between the amount actually earned and the current minimum wage multiplied by the hours worked.

For example, if a commissioned employee earns \$200 in a 40-hour workweek (including all commissions) and the current minimum wage is \$10 per hour, Arizona's minimum wage laws require that the employee earned at least \$400 (40 hours x \$10 per hour). In this example, the employer would be responsible for paying the employee an additional \$200 to make up the difference between the employee's actual earnings and the required minimum wage.

For more information about the current minimum wage, see [What is Arizona's minimum wage?](#)

Is the Arizona minimum wage the same for both adult and minor employees?

What other responsibilities do employers have in the minimum wage context?

Are any businesses exempt from minimum wage recordkeeping and posting requirements?

Current Arizona rules permit a "small employer" to request relief from recordkeeping requirements in the minimum wage context. See [A.A.C. R20-5-1220](#). A "small employer" is defined as a corporation, proprietorship, partnership, joint venture, limited liability company, trust, or association that has less than \$500,000 in gross annual revenue.

Note: There is a difference between the defined terms "small employer" and "small business." Unlike "small business," which applies to exempting an employer altogether from minimum wage requirements, the definition of "small employer" does not restrict the employer from engaging in interstate commerce. For more information about the definition of "small business," see [Which employers are subject to Arizona's minimum wage laws?](#)

A request for relief from minimum wage recordkeeping requirements must be submitted in writing to the Labor Department of the Industrial Commission of Arizona and must contain the following:

- The reasons for the request for relief;
- An alternate manner or method of making, keeping, and preserving records that will enable the Labor Department to determine hours worked and wages paid; and
- The signature of the employer or an authorized representative of the employer.

Employers can direct requests for relief from recordkeeping requirements to:
Industrial Commission of Arizona, Labor Department
800 W Washington St.
Phoenix, AZ 85007

What kind of recordkeeping is required by Arizona's minimum wage laws?

[Unless otherwise exempted from the recordkeeping requirements](#), employers subject to Arizona's minimum wage laws are required to keep records that employers generally maintain in their ordinary business practice, and track records required under the Federal Fair Labor Standards Act. Employers are required to maintain payroll records showing the hours worked and wages paid, including basic time and earning cards or sheets, wage rate tables, records of

additions to or deductions from wages paid and any written agreement relied upon to calculate credits toward the minimum wage. Separate recordkeeping requirements are permitted for employees on fixed schedules and employees who are compensated on a salary basis at a rate that exceeds the minimum wage required under the Fair Wages and Healthy Families Act and who, under The Federal Fair Labor Standards, are an exempt bona fide executive, administrative, or professional employee, including an employee employed in the capacity of academic administrative personnel or teachers in elementary or secondary schools, or in outside sales.

How long is an employer required to keep records required by Arizona's minimum wage laws?

Four years.

What happens if an employer violates The Fair Wages and Healthy Families Act's recordkeeping and posting requirements?

An employer who violates The Fair Wages and Healthy Families Act's recordkeeping and posting requirements is subject to a civil penalty of at least \$250 for the first violation and at least \$1000 for each subsequent or willful violation. Special monitoring and inspections may also be imposed.

Additionally, if an employer fails to maintain required records, it will be presumed that the employer did not pay the required minimum wage or earned paid sick time in a disputed case. An employer has the right to rebut this presumption with evidence that the employer paid the employee the required minimum wage.

How can Arizona's minimum wage be higher than the federal minimum wage?

Under federal law, a state may require payment of a minimum wage that exceeds the federal minimum wage.

Which minimum wage law applies to Arizona employers – state or federal?

Most employers are subject to both federal and state minimum wage laws. When there are different requirements between the laws, employers must follow the requirement that is the most beneficial to the employee. Because Arizona's minimum wage laws require payment of a higher minimum wage than federal law, an Arizona employer who is subject to both laws must pay the Arizona minimum wage rate.

Can an employee agree to work for less than Arizona's minimum wage?

No. The minimum wage obligation cannot be waived by any verbal agreement, written agreement, or employment contract.