



Illinois Governor Signs Bill Raising the Statewide Minimum Wage to \$15 Per Hour

On February 19, 2019, Governor JB Pritzker signed into law the “Lifting Up Illinois Working Families Act,” which raises the state’s minimum wage, in increments, to \$15 per hour by 2025.¹ With the enactment of this bill, Illinois has become the fifth state to pass a statewide increase in the minimum wage to \$15 per hour, joining California, New Jersey,² New York, and Massachusetts.³

Increases for Regular and Youth Wage

Under SB 1, the minimum wage is scheduled to increase with a series of hourly rate adjustments over the next five years to achieve the \$15 hourly pay rate. For workers at least 18 years old, hourly rates will go from \$8.25 to \$9.25 per hour, beginning on January 1, 2020. After six months, the hourly minimum will increase to \$10 per hour through the end of 2020. Thereafter, the minimum wage will go up one dollar per hour the first day of each year until it reaches \$15 per hour on January 1, 2025.

For employees under the age of 18 working more than 650 hours in a calendar year, SB 1 mandates a lower rate of hourly wage increases. In January 2020, the minimum hourly wage will be \$8, increasing to \$8.50 in January 2021, \$9.25 in January 2022, and \$10.50 in January 2023. On January 1, 2024, the youth minimum wage will jump to \$12 per hour and then finally land at \$13 per hour in January 2025. Below is a summary of the minimum wage increases mandated by SB 1:

| Date | Regular Minimum Wage | Youth Wage |
|-----------------|----------------------|------------|
| January 1, 2020 | \$9.25 | \$8.00 |
| July 1, 2020 | \$10.00 | \$8.00 |
| January 1, 2021 | \$11.00 | \$8.50 |
| January 1, 2022 | \$12.00 | \$9.25 |
| January 1, 2023 | \$13.00 | \$10.50 |
| January 1, 2024 | \$14.00 | \$12.00 |
| January 1, 2025 | \$15.00 | \$13.00 |

Employers in Chicago are already familiar with minimum wage step increases. On December 2, 2014, the city passed a minimum wage ordinance that raises the minimum wage for Chicago workers to \$13 per hour by July 1, 2019, with increases tied to the Consumer Price Index thereafter.⁴ Therefore, employers with employees working in Chicago should be mindful of both sets of requirements.

Tax Credits

The bill also includes tax credits to help smaller businesses offset increased wages. Employers with 50 or fewer employees will be able to claim a tax credit corresponding

to 25% of the increased cost of wages paid from January 1, 2020 through December 31, 2020. This tax credit is then phased out over the course of the scheduled wage increases. It will reduce to 21% of the increased cost of wages in 2021, down to 17% in 2022, to 13% in 2023, then to 9% in 2024, and finally to 5% in 2025. The 5% credit will still be available for the year of 2026 for those employers with more than five employees and through 2027 for employers with no more than five workers.

Not all small businesses will be able to claim this tax credit. A business will not be able to claim the credit if its total average wages for employees earning less than \$55,000 per year decreased when compared to the same period in the previous year. The tax credit is also limited to wages for employees who worked 90 or more consecutive days during the year.⁵

Penalties

SB 1 also strengthens the enforcement provisions for violations of the minimum wage rules. For example, if employees prevail in a claim for recovery of lost wages under the minimum wage law, they will be entitled to treble the amount of corresponding underpayments as damages, in addition to court costs and attorney’s fees. The bill also adds new fines for employers that recklessly, willfully or repeatedly disregard the wage requirements. Employers not in compliance could be liable for a fine of \$1,500, payable to the Illinois Department of Labor Wage Theft Enforcement Fund.⁶ Another penalty added in SB 1 will levy a \$100 per employee fine against any employer that did not keep proper payroll records, also payable to the Illinois Wage Theft Enforcement Fund.

Employers with employees working in Illinois should consider the impact of SB 1 on their payroll and budget, and plan for any changes to recordkeeping it may require.

Source: *Littler.com* by Kathryn Siegel

1 S.B. 0001, 101st Gen. Assemb. (IL 2019).
2 See Russell McEwan and Emily David, New Jersey Employers Should Expect Minimum Wage Hike to \$15, Littler ASAP (Jan. 28, 2019).
3 See Chris Kaczmarek and Alice Kokodis, Massachusetts Increases Minimum Wage, Eliminates Premium Pay For Sunday Work, And Enacts New Paid Leave Program, Littler ASAP (June 29, 2018).
4 See Darren Mungerson, Chicago Minimum Wage Ordinance Goes Into Effect July 1, 2015, Littler ASAP (July 1, 2015).
5 Under the bill, however, “Such credits may accrue during that 90-day period and be claimed against payments under this Section for future reporting periods after the employee has worked for the employer at least 90 consecutive days.”
6 The language of the bill is unclear on whether the fine is per year or per employee.