

# ARIZONA

## EMPLOYMENT LAW LETTER

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*Edited by: Jodi R. Bohr of Tiffany & Bosco, P.A.*

### **Arizona and Flagstaff minimum wage rises again on January 1, 2023**

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*On January 1, 2022, Arizona's minimum wage increased to \$12.80 per hour, making it the sixth highest among the 50 states (according to the minimum wages posted on [laborlawcenter.com](http://laborlawcenter.com)). While we continue to see an increase in state and local minimum wage statutes, according to [minimum-wage.org](http://minimum-wage.org), 21 states either had no minimum wage laws or had adopted the federal minimum wage of \$7.25 per hour. Many other states and cities across the country enacted laws that implement periodic increases either based on the passage of time or based on the cost of living. Although Arizona has held strong in its ranking among the states, many localities across the country, including Flagstaff have minimum wage rates at \$15 per hour or higher.*

#### ***Cue the increase***

On September 15, 2022, the Industrial Commission of Arizona announced the state's minimum wage will increase by \$1.05 to \$13.85, an even larger increase than the one we saw this year. The bump is based on the increase in inflation between August 2021 and August 2022, which we all know has been significant (as published by the U.S. Bureau of Labor Statistics' Consumer Price Index).

As a reminder, Arizona's minimum wage law permits employers of tipped employees to take a \$3-per-hour tip credit. Keep in mind that tips must make up the difference, so employees make at least the state minimum wage counting tips.

#### ***Flagstaff's rate remains higher than state's***

Absent a revision to Flagstaff law, the city's minimum must be at least \$2 per hour above Arizona's minimum wage. Thus far, Flagstaff has easily maintained an even larger gap, based on the mandated increases required by the 2016 initiative. It recently announced that on January 1, 2023, its minimum wage will increase to \$16.80 per hour, a \$1.30 increase over 2022. This is the city's first cost of living jump since the initiative passed, which comes as inflation across the country remains at a 40-year high. Its minimum wage has more than doubled (from \$8.05) since the initiative was passed in 2016.

The tipped minimum wage in Flagstaff will be \$14.80 per hour in 2023, less than Arizona's permissible \$3-per-hour tip credit. In fact, the tip credit to Flagstaff employers has been gradually decreasing over time and will be completely phased out in 2026.

#### ***Tucson tries to follow suit***

Last year, Tucson voters took a page from the Flagstaff voter playbook and approved a ballot initiative (the Tucson Minimum Wage Act) that would gradually increase the citywide minimum wage until it reaches \$15 in 2025.

The Tucson Minimum Wage Act likely intended to pay workers more than Arizona's minimum wage. But, with the mandated increases locked in through 2025 and the high increase in cost of living, the city's next mandated increase (\$13.50 per hour on January 1), will be lower than Arizona's minimum wage. Accordingly, employers in Tucson must pay the higher minimum wage mandated by the state.

***Reminder: Posters must be updated***

All Arizona employers must put up a current minimum wage poster regardless of whether you have minimum wage workers or whether the minimum wage changes each year. The Industrial Commission of Arizona issues the required annual minimum wage posters each year. They are free and available in both English and Spanish on its website ([www.azica.gov](http://www.azica.gov)).

Flagstaff and Tucson employers must adhere to similar posting requirements. Flagstaff's Office of Labor Standards also issues annual city posters. Employers must post the notices in English, Spanish, and any language spoken by at least five percent of its workforce. Its minimum wage posters are available in English and Spanish at <https://www.flagstaff.az.gov/3520/Minimum-Wage>. Tucson minimum wage posters are available in English and Spanish at <https://www.tucsonaz.gov/minimumwage>.

***Start 2023 off right***

Regardless of where you are in Arizona, make sure you are ready to implement the change to the minimum wage effective January 1. Timely update pay rates for all minimum wage workers. Determine whether the increase in minimum wage should result in an increase to any other workers. Audit your bulletin boards to update posters requiring revisions and to ensure all necessary notices are posted. Contact your experienced employment attorney with any questions.

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