

Legislative Analysis



MINIMUM WAGE AMENDMENTS

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House Bill 4001 as introduced
Sponsor: Rep. John R. Roth
Committee: Select Committee on Protecting Michigan Employees
and Small Businesses
Complete to 1-14-25

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4001 would repeal the Improved Workforce Opportunity Wage Act and amend the Workforce Opportunity Wage Act to make changes regarding the minimum wage in Michigan.

Background

Section 9 of Article II of the state constitution provides an initiative process for proposing laws by petition. An initiative petition must be signed by a number of voters equal to 8% of the total votes cast for all candidates for governor in the most recent gubernatorial election. Once certified, the petition is presented to the legislature, which has 40 days to enact or reject it without amending it. If the legislature enacts it, the law proposed by the petition becomes a public act without going to the governor for approval. (The governor cannot veto such an enactment.) If the legislature rejects it, the initiative petition is put before the voters at the next general election. If the voters approve it, the resulting law can be amended or repealed only by a three-fourths vote of members elected to and serving in each house of the legislature.

In addition, instead of enacting or rejecting a petition, the legislature can propose a different measure on the same subject. In this case, both the initiative petition and the legislature's alternative measure go on the ballot at the next general election, and the one that receives the most votes becomes law.

In July 2018, the legislature passed the Improved Workforce Opportunity Wage Act (2018 PA 337), an initiative petition that was certified by the Michigan Board of Canvassers to appear on the Michigan ballot in the November 2018 general election.¹ Then, after the election, 2018 PA 368 was enacted to amend the provisions of that act as they had been proposed by initiative petition and passed by the legislature.² Notably, the amendatory act reduced proposed minimum wage increases and eliminated provisions that would phase out the tipped minimum wage.³

In July 2024, the Michigan Supreme Court (MSC) ruled in *Mothering Justice v Attorney General* that the legislature's 2018 practice of adopting and amending proposed ballot measures during the same legislative session is unconstitutional. The court voided 2018 PA 368 and restored the Improved Workforce Opportunity Wage Act (and the Earned Sick Time Act, a similarly adopted and amended initiative) as it was proposed by petition and originally enacted by the legislature.⁴

¹ <https://legislature.mi.gov/documents/2017-2018/initiative/pdf/MinimumWageInitiativeAnalysis.pdf>

² <https://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-1171-58F01032.pdf>

³ The tipped minimum wage is paid to employees (such as restaurant wait staff) who receive tips in the course of their employment, as long as the employer makes up any shortfall between the general minimum wage and the amount of the employee's tipped wages plus tips. Currently, the tipped minimum wage is 38% of the general minimum wage.

⁴ <https://statecourtreport.org/case-tracker/mothering-justice-v-attorney-general>

The reinstated version is set to take effect on February 21, 2025. Later, the court issued a clarified schedule for phasing in the original wage increases beginning February 21, 2025, and eliminating the tipped minimum wage by February 21, 2030, as shown below.⁵ (As of January 1, 2025, the Michigan minimum wage is \$10.56 per hour and the tipped minimum wage is 38% of the general wage [currently\$4.01].⁶)

Date	Minimum Hourly Wage	Tipped Minimum Wage (as % of General Minimum Wage)
February 21, 2025	\$12.48 (\$10.00 plus inflation adjustment)	48% (\$5.99)
February 21, 2026	\$13.29 (\$10.65 plus inflation adjustment)	60% (\$7.97)
February 21, 2027	\$14.16 (\$11.35 plus inflation adjustment)	70% (\$9.91)
February 21, 2028	\$14.97 (\$12.00 plus inflation adjustment)	80% (\$11.98)
February 21, 2029	Standard inflation adjustment	90%
February 21, 2030	Standard inflation adjustment	100%

Minimum wage increases

The bill would instead provide the following schedule for increasing the general minimum wage between February 21, 2025 and January 1, 2029:

Date	Proposed General Minimum Hourly Wage
February 21, 2025	\$12.00
January 1, 2026	\$12.50
January 1, 2027	\$13.00
January 1, 2028	\$14.00
January 1, 2029	\$15.00

In addition, current law requires that, beginning January 1, 2030, the state treasurer must adjust the minimum wage for inflation unless the state’s unemployment rate for the preceding year was 8.5% or higher. Under the bill, this annual adjustment would not take place if unemployment for the preceding year was 7.5% or higher.

Tipped minimum wage

Currently, the minimum wage for tipped employees is set at 38% of the regular hourly minimum wage. As described above, this lower wage is set to be phased out under the Improved Workforce Opportunity Wage Act (the law as revived by the MSC decision effective February 21, 2025).

The bill would repeal that act and thereby maintain the tipped minimum wage at its current level.⁷

⁵ <https://www.plunkettcooney.com/thesophisticatedemployerblog/michigan-supreme-court-clarifies-minimum-wage-decision>

⁶ <https://www.michigan.gov/leo/news/2024/10/01/michigan-minimum-wage-rate-2025-increase-schedule>

⁷ The Improved Workforce Opportunity Wage Act (the 2018 initiative petition originally passed by the legislature) did not repeal the state’s previous act governing the minimum wage, the Workforce Opportunity Wage Act (2014 PA

The law as revived by the MSC decision provides that, before its phaseout, the tipped minimum wage does not apply unless all of the tips are retained by the employee who receives them, except as voluntarily shared with other employees who are directly or indirectly part of the chain of service and whose duties are not primarily managerial or supervisory. The bill would remove these provisions.

In addition, under the revived provisions, an employee must be informed by the employer of the tipped wage provisions of the act, *in writing, at or before the time of hire, and give written consent*. The bill would remove the italicized language.

Other tipped minimum wage provisions

The law as revived by the MSC decision provides all of the following:

- Regardless of whether the employer pays the tipped minimum wage or the full general minimum wage, tips remain the property of the employee who receives them, except under a valid and voluntary tip sharing agreement described above.
- Gratuities and service charges paid to an employee are in addition to, and may not count toward, wages due to the employee.
- Employers must provide employees and consumers written notice of their plan to distribute service charges.
- Employers must keep records showing compliance with the tipped wage provisions of the act for at least years from the date of employee's last pay period.

The bill would eliminate the above provisions.

Training minimum wage

The law (both currently and as revived by the MSC decision) sets a training wage of \$4.25 per hour for employees who are less than 20 years old and in the first 90 days of their employment.

The bill would change this wage to be 75% of the general minimum wage described above.

Junior hockey

The law as revived by the MSC decision does not include language that exempts from minimum wage provisions individuals who are 16 to 20 years old and play ice hockey in a regional, national, or international junior ice hockey league.⁸

The bill includes that language.

MCL 408.414 and 408.414b (amended) and MCL 408.931 to 408.945 (repealed)

138), but instead expressly provided that the 2014 law was superseded by the 2018 enactment(s). House Bill 4001 would amend the 2014 act and repeal the 2018 act, which would have the effect of reinstating the 2014 act as the state minimum wage law. Provisions of that 2014 act, such as the 38% tipped minimum wage, would therefore be essentially enacted by the bill without the need to specifically include their text within the bill.

⁸ See <https://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-0483-B03AE529.pdf>

FISCAL IMPACT:

State and local revenue

Although the potential impact of changes in the minimum wage on state and local tax revenues cannot be determined, it is likely to be small relative to total collections given the modest size of the cohort that would see the most significant impacts from a change in the minimum wage. From a state and local government perspective, only a small portion of government employment is typically composed of minimum wage workers. Therefore, any changes in government labor costs due to a change in the minimum wage would likely be insignificant relative to overall expenditures.

All else being equal, the slightly lower minimum wage in 2025 and beyond, when compared to current law after the Michigan Supreme Court ruling on the minimum wage, could lead to a minor decrease in income tax and sales tax revenues. However, any changes in income or sales tax revenue from those who would see an hourly wage change could be offset by other tax revenue changes depending on the effect the minimum wage change has on employer business practices. For these reasons, a net change is difficult to estimate.

For tipped workers, the changes would be more significant. Under current law, the minimum wage for tipped workers would be adjusted annually, beginning in 2025, until it matched the state minimum wage in 2030. Under the bill, the tipped wage differential (38% of the state minimum wage) would be reinstated. Any fiscal impact related to retaining the minimum wage differential would depend on employer business practices around things like hiring and pricing in a business environment with no minimum wage differential for tipped workers, consumer gratuity practices, and employment changes under a system with no minimum wage differential for tipped workers. A net fiscal impact on state and local revenues cannot be determined with any accuracy at this time.

State Medicaid costs

The primary workforce in the state Medicaid program that would be affected by changes to the state minimum wage is the cohort of workers called “direct care workers.” Direct care workers are workers who provide assistance with activities of daily living for eligible Medicaid recipients. For every \$0.20 per hour change to the rate paid to the direct care workforce, the state cost, or savings, would be approximately \$10.0 million.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.