



## Overview of Minimum Wage Laws

By Louis Pino and Clare Pramuk

Federal law requires employers to pay their employees a minimum hourly wage. States are allowed to set different pay standards than the federal minimum wage requirement; however, if the state and federal law differ, such as in Colorado, the higher wage prevails. This *issue brief* provides an overview and history of federal and Colorado minimum wage laws and provides a summary of how other states compare to the federal standard.

### Federal Law

The federal minimum wage was instituted in 1938 as part of the Fair Labor Standards Act (FLSA). It is the lowest hourly wage that employers may legally pay to most workers. Since its inception, the federal minimum wage has been increased 23 times, from \$0.25 to its current level of \$7.25 per hour for most workers and \$2.13 per hour for workers that receive tips. It was last increased in 2009.

Under the FLSA, tipped employees must be compensated at least \$2.13 per hour in direct wages, and up to \$5.12 in tips per hour can be applied toward meeting the minimum wage (tip credit). If the employees' direct cash wages and tips do not meet or exceed the minimum wage, the employer must make up the difference. Tipped employees are individuals engaged in occupations in which they customarily and regularly receive more than \$30 per month in tips.

Some employees can be paid below the federal minimum wage under the FLSA. In general, such individuals include student, farm, seasonal, and recreational workers. Workers with disabilities may be paid less than the federal minimum wage, but the

employer is required to receive a certificate from the Wage and Hour Division within the U.S. Department of Labor in these cases. The FLSA also allows employers to pay employees under 20 years old a lower wage for 90 calendar days from when they are first employed.

### Colorado Law

Prior to 2007, Colorado's minimum wage law was set by federal law. In 2006, Colorado voters adopted an amendment to the state constitution that raised the minimum wage from \$5.15 per hour to \$6.85 per hour beginning in 2007. The amendment also required that the minimum wage be adjusted each year, up or down, for changes in inflation, as measured by the Colorado consumer price index (CPI). The CPI is a common measure for changes in the prices of goods and services, such as food, housing, gasoline, and medical care. The 2006 amendment also set the minimum wage for tipped workers at \$3.02 less than the state minimum wage, which equaled \$3.83 in 2007. The minimum wage for tipped workers was the same as the federal minimum wage, \$2.13 per hour plus tips, before the amendment took effect.

In 2016, Colorado voters again amended the state constitution to increase the state minimum wage from \$8.31 to \$9.30 per hour beginning on January 1, 2017, and to increase annually thereafter by \$0.90 per hour until it reaches \$12.00 per hour on January 1, 2020.<sup>1</sup> From that point, the rate must be annually adjusted by the increase in the CPI. Effective January 1, 2020, under House Bill 19-1210, up to 10 percent of local governments will be able to enact minimum wage laws separate from that of the state. Local minimum wages

<sup>1</sup>Colo. Const. art. XVIII, §15

are limited to the greater of \$1.75 per hour or 15 percent of the state minimum wage.

Table 1 shows the Colorado minimum wage and tipped employee minimum wage from 2006 to 2020.

**Table 1**  
**Colorado State Minimum Wage, 2006-2020**

Effective Year	Minimum Wage	Tipped Employee Minimum Wage
2006	\$5.15	\$2.13
2007	\$6.85	\$3.83
2008	\$7.02	\$4.26
2009	\$7.28	\$4.26
2010	\$7.24	\$4.22
2011	\$7.36	\$4.34
2012	\$7.64	\$4.62
2013	\$7.78	\$4.76
2014	\$8.00	\$4.98
2015	\$8.23	\$5.21
2016	\$8.31	\$5.29
2017	\$9.30	\$6.28
2018	\$10.20	\$7.18
2019	\$11.10	\$8.08
2020	\$12.00	\$8.98

Source: Colorado Department of Labor and Employment.

The Division of Labor Standards and Statistics, within the Colorado Department of Labor and Employment, sets the state’s minimum wage each year. The division adopts a minimum wage order that describes which employees are covered by federal and state minimum wage provisions. Employers are required to post the Colorado Minimum Wage Order in a conspicuous place in all of their establishments. The current Colorado Minimum Wage Order, which is effective January 1, 2019, through December 31, 2019, can be found at the following website:

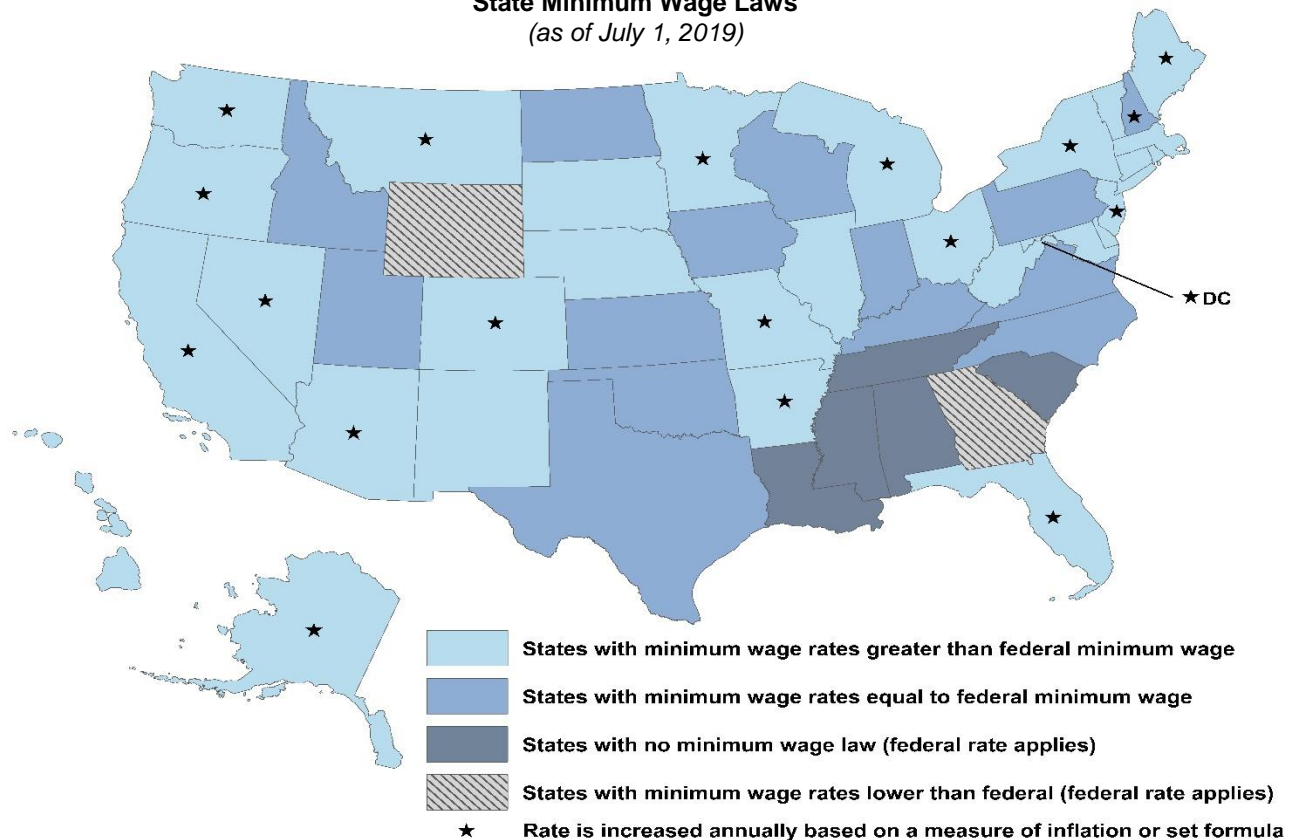
<https://www.colorado.gov/pacific/cdle/minimumwage>

### Other States

As of 2019, 29 states and the District of Columbia have set minimum wage rates higher than the federal rate of \$7.25 per hour, with rates ranging from \$0.25 to \$6.75 above the federal rate.

Figure 1 shows minimum wage laws for the 50 states as of July 1, 2019, and indicates states that index their state minimum wage rates to a measure of inflation, such as CPI, or apply a set formula.

**Figure 1**  
**State Minimum Wage Laws**  
(as of July 1, 2019)



Source: U.S. Bureau of Labor Statistics (BLS). Map prepared by: Colorado Legislative Council Staff.