

A Mixed Bag for Michigan Employers: Legislature Accelerates Minimum Wage Increases but Saves the Tip Credit

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Wage and Hour

Takeaways

- Amendments to the Michigan Minimum Wage Act accelerate the schedule of minimum wage increases but prevent elimination of the tip credit for employees who earn tips.
- Michigan's minimum wage rate is now \$12.48 per hour, pursuant to a 2/21/25 increase. The minimum wage for tipped workers is \$4.74 per hour.

Related link

- [Michigan Supreme Court Invalidates Legislative Amendments to Minimum Wage, Paid Sick Leave Measures](#)

Article

The Michigan legislature amended the state's Wage Act on Feb. 20, 2025, in a compromise measure that accelerated the schedule of minimum wage increases but staved off a complete phaseout of the tip credit for workers who receive tips. Governor Gretchen Whitmer signed the legislation, Senate Bill 8 (SB 8), on Feb. 21, 2025.

Background

In 2018, voters passed sweeping ballot initiatives sharply increasing the state's minimum wage and abolishing the tip credit for employees who routinely earn tips. The state legislature attempted to lessen the impact of the ballot initiatives, but the Michigan Supreme Court invalidated the legislature's efforts on procedural grounds and upheld the original ballot initiatives as passed. (See [Michigan Supreme Court Invalidates Legislative Amendments to Minimum Wage, Paid Sick Leave Measures.](#))

The court granted a 205-day grace period expiring on Feb. 21, 2025, before its order would take effect. On Feb. 20, the legislature adopted eleventh-hour amendments to lessen the potential blow of the voter-approved statutory changes upheld by the court.

Minimum Wage Act Revisions

On the heels of a Jan. 1, 2025, minimum wage increase to \$10.56 per hour, Michigan's minimum wage was scheduled to rise once again on Feb. 21, to \$12.48 per hour, with the lift of the supreme court's stay. SB 8 left in place the scheduled Feb. 21 increase. It also imposed a larger-than-planned increase for Jan. 1, 2026, to \$13.73 an hour (up from the original \$13.29 increase) and a revised formula for annual adjustments to the minimum wage rate.

SB 8 sharply reduced the scheduled Feb. 21 increase to the minimum wage rate for employees who customarily earn tips. The tipped minimum wage is now \$4.74 per hour, or

38% of the standard minimum wage rate. (Originally, the tipped minimum wage was to have increased to \$6.49 per hour on Feb. 21.)

The tradeoff for employers of tipped workers, however, is that SB 8 rescinded the elimination of the tip credit that employers may take against the minimum wage for tipped workers. Instead, the amendments gradually reduce the amount of the tip credit 2% annually through 2031, at which point the tip credit will be equal to 50% of the standard minimum wage.

SB 8 also adds a civil penalty of \$2,500 for violations of the minimum wage provision for tipped employees.

An additional provision which may be of particular concern for employers: Previously, the overtime provisions of the Wage Act did not apply to Michigan employees who were only subject to the Act because the Michigan minimum wage exceeded the federal minimum wage, SB 8 amended the Wage Act to eliminate this exclusion from coverage. Now, Michigan employers not otherwise covered by the Fair Labor Standards Act exemptions must also comply with Michigan's overtime requirements.

Please reach out to a Jackson Lewis attorney if you have questions about these changes or need compliance assistance.

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