

## **New Minimum Wage Laws in Washington State Effective January 1**

Multiple new laws took effect in Washington at the beginning of the year, including several that increased the minimum wage in various locations across the state.

### **Minimum Wage Increases at State and Local Levels**

Washington state has the highest minimum wage in the country as of January 1, 2023. The state minimum wage is now \$15.74 per hour, a \$1.25 increase over last year's minimum wage and more than double the federal minimum wage, which continues to sit at \$7.25.

The new minimum wage rate applies to workers who are 16 years old and older. Employees who are 14 or 15 years old may be paid \$13.38 per hour (85% of the state minimum wage).

Some cities in western Washington mandate higher minimum wages. In Seattle, the minimum wage owed to employees is based on employer size. Effective January 1, 2023, minimum wage rates in the city increased as follows:

<b>Employer Size</b>	<b>Minimum Wage</b>
501+ employees	\$18.69/hour
	\$18.69/hour
500 or fewer employees	OR
	\$16.50/hour if the employer pays \$2.19/hour toward medical benefits or the employee earns \$2.19/hour in tips

The minimum wage required in Tukwila and SeaTac is even higher: In SeaTac, employees must earn at least \$19.06 per hour. And, beginning in July 2023, Tukwila employees must earn at least \$18.99 per hour.

### **Other Wage-Related Changes**

In addition to increases in the minimum wage, a series of other wage-related changes to Washington law took effect this year. Specifically, agricultural employees' overtime rights continue to move closer to the Minimum Wage Act's (MWA) general standard, and the thresholds for who qualifies as an overtime-exempt employee and who may be subject to noncompetition agreements have changed.

In 2021, the state legislature expanded the MWA's overtime protections to agricultural workers. In doing so, the legislature created a gradual phase-in period that slowly transitions nondairy agricultural workers to the MWA's overtime protections by 2024. As part of this gradual approach, beginning January 1, 2023, agricultural workers are eligible for overtime pay for hours worked in excess of 48 hours per week. Last year, they were eligible for overtime pay only for hours worked in excess of 55 hours per week.

Because the minimum wage is increasing, so too are the salary thresholds used to identify who qualifies as an overtime-exempt employee. For employers with 50 or fewer employees, employees must earn more than 1.75 times the minimum wage, or \$57,293.60 annually, to meet the salary threshold for exempt status. For employers with 51 or more employees, that threshold is slightly higher. Employees must earn at least two times the minimum wage, \$65,478.40 annually, to meet the salary threshold to be exempt from overtime laws.

Relatedly, the salary threshold for who may be subject to a noncompetition agreement increased for both employees and independent contractors. As of January 1, 2023, employees who earn less than \$116,593.18 annually cannot be subject to noncompete agreements; this is an increase of approximately 8.7% over last year's salary threshold. The new threshold for contractors increased by roughly the same proportion, from \$268,252.59 to \$291,482.95 annually.

## **Takeaways for Employers**

With the start of the new year, employers should check to ensure all nonexempt employees are earning at least the minimum wage. This is particularly true for employers with employees in multiple cities, given that the minimum wage in any given location may vary. This is also a good time to review overtime policies to ensure employees are accurately characterized as exempt or nonexempt and are being paid accordingly. Finally, employers should review workers' noncompete agreements to ensure that workers who are subject to such agreements meet the relevant salary thresholds.

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