**Employers Must Increase Payroll in 2020**

Employee wages will legally change in two major ways starting January 1, 2020.

* **The minimum wage in Arizona increases to $12 per hour**. This is the last step minimum wage increase as part of the Fair Wages and Healthy Families Act passed by voters in November 2016. After 2020, the minimum wage in Arizona will increase each year by the cost of living. Although cost of living is not defined in the law, it is likely to be based upon the Consumer Price Index.
* **The minimum salary employers must pay exempt employees increases to $35,568 a year for the white collar exemption and $107,432 for the highly compensated employee exemption**. The white collar exemption is the most common exemption from the minimum wage and overtime laws for employees employed as bona fide executive, administrative, professional and outside sales employees.
* These new laws will affect employers’ 2020 budgets. As such, Mesch Clark Rothschild recommends employers start planning on how to absorb these new costs as soon as possible. Employers should take a look at current payroll practices and determine what changes are necessary. The wages of any employee earning less than $12 per hour must be increased. Many currently exempt employees will become eligible for overtime pay, unless their salary is increased. Other changes may be possible to minimize the effect of these new laws. Employers do not want to be caught unprepared, as there are substantial penalties under state and federal law for wage and hour violations.

If you have questions regarding these changes in the wage payment laws or want to discuss minimizing their effect, contact Thom Cope at [Mesch Clark Rothschild](https://www.mcrazlaw.com/) (520-624-8886).