

# Legislative Analysis



## MINIMUM WAGE AMENDMENTS

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<http://www.house.mi.gov/hfa>

**Senate Bill 8 (S-10) as passed by the Senate**

**Sponsor: Sen. Kevin Hertel**

**House Committee: Select Committee on Protecting**

**Michigan Employees and Small Businesses**

**Senate Committee: Regulatory Affairs**

**Complete to 2-19-25**

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

*(Enacted as Public Act 1 of 2025)*

## SUMMARY:

Senate Bill 8 would amend the Improved Workforce Opportunity Act to make changes regarding the minimum wage in Michigan. The Improved Workforce Opportunity Act was an initiative petition that was passed by the legislature in 2018 and then amended at the end of that year, notably to reduce minimum wage increases proposed by the initiative and eliminate provisions that would have phased out the tipped minimum wage.<sup>1</sup> (See **Background**, below.)

In July 2024, the Michigan Supreme Court (MSC) ruled that for the legislature to adopt proposed ballot measures and amend them in the same legislative session is unconstitutional. Accordingly, the court voided the later amendments and restored the Improved Workforce Opportunity Wage Act as originally enacted. The reinstated version is set to take effect on February 21, 2025. The court subsequently issued a schedule, shown below, for phasing in the original wage increases beginning February 21, 2025, and for eliminating the tipped minimum wage by February 21, 2030. (As of February 19, 2025, the Michigan minimum wage is \$10.56 per hour and the tipped minimum wage is 38% of the general minimum wage [i.e., \$4.01].)

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

<sup>1</sup> 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.

### **Minimum wage increases**

The bill would amend the revived version of the Improved Workforce Opportunity Wage Act to instead provide the following schedule for increasing the general minimum wage between February 21, 2025, and January 1, 2027:

<b>Date</b>	<b>Proposed Minimum Hourly Wage</b>
February 21, 2025	\$12.48
January 1, 2026	\$13.73
January 1, 2027	\$15.00

In addition, the act requires that, every October, the state treasurer must adjust the minimum wage for inflation unless the state's unemployment rate is 8.5% or above for the preceding year. The adjusted minimum wage rate is effective beginning January 1 of the year following the October of the adjustment. The bill would set this adjustment to begin in October 2027 and would change the inflation index used for the adjustment from the Consumer Price Index for urban wage earners and clerical workers to the Consumer Price Index for the Midwest region.

### **Tipped minimum wage**

The bill would provide the following schedule for increasing the tipped minimum wage differential to 50% by January 1, 2031:

<b>Date</b>	<b>Proposed Tipped Minimum Wage</b>
February 21, 2025	38% of general minimum wage (\$4.74)
January 1, 2026	40% of general minimum wage (\$5.49)
January 1, 2027	42% of general minimum wage (\$6.30)
January 1, 2028	44% of general minimum wage
January 1, 2029	46% of general minimum wage
January 1, 2030	48% of general minimum wage
January 1, 2031	50% of general minimum wage

The bill also would provide that employers that fail to pay the tipped minimum wage as prescribed by the act are subject to a civil fine of up to \$2,500.

### **Other changes**

The bill would change the department responsible for enforcement under the act from the Department of Licensing and Regulatory Affairs (LARA) to the Department of Labor and Economic Opportunity (LEO).<sup>2</sup>

The bill is tie-barred to House Bill 4002 and cannot take effect unless that bill is also enacted.<sup>3</sup>

MCL 408.932 et seq.

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<sup>2</sup> These responsibilities were already transferred to LEO upon the department's creation by Executive Reorganization Order 2019-3: <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-125-1998>.

<sup>3</sup> <https://www.legislature.mi.gov/Bills/Bill?ObjectName=2025-HB-4002>

## 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 Board of Canvassers to appear on the Michigan ballot in the November 2018 general election.<sup>4</sup> The initiative was accordingly not put before the voters. After the election, 2018 PA 368 was enacted to amend the provisions of the act as they had been proposed by initiative petition and passed by the legislature.<sup>5</sup> Notably, the amendatory act reduced proposed minimum wage increases and eliminated provisions that would phase out the tipped minimum wage.

In July 2024, the MSC ruled in *Mothering Justice v Attorney General* that for the legislature to adopt and amend proposed ballot measures during the same legislative session (rather than, for example, presenting voters with an alternative measure) is unconstitutional in that it places an undue burden on the constitutional right of the people to initiate legislation. 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.<sup>6</sup> 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 described above.<sup>7</sup>

## FISCAL IMPACT:

### State and local revenue

Although the potential net 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

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<sup>4</sup> <https://legislature.mi.gov/documents/2017-2018/initiative/pdf/MinimumWageInitiativeAnalysis.pdf>

<sup>5</sup> <https://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-1171-58F01032.pdf>

<sup>6</sup> <https://statecourtreport.org/case-tracker/mothering-justice-v-attorney-general>

<sup>7</sup> <https://www.plunkettcooney.com/thesophisticatedemployerblog/michigan-supreme-court-clarifies-minimum-wage-decision>

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 higher minimum wage in 2026 and beyond, when compared to current law after the MSC ruling, could lead to a minor increase 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.

In addition, under the bill, the tipped wage differential (now 38% of the state minimum wage) would be adjusted annually beginning in 2026 until it reached 50% in 2031. (Under current law after the MSC ruling, the minimum wage for tipped workers would be adjusted annually, beginning in 2025, until it matched the state minimum wage in 2030.) Any fiscal impact related to the tipped wage differential would depend on employer business practices around things like hiring and pricing, employment changes, and consumer gratuity practices. 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.

#### **Civil fines**

Finally, under the bill, employers that fail to pay the tipped wage to employees as prescribed would be subject to a civil fine of up to \$2,500. Revenue collected from civil fines is used to support public and county law libraries. Also, under section 8827(4) of the Revised Judicature Act, \$10 of the civil fine would be deposited into the state’s Justice System Fund, which supports various justice-related endeavors in the judicial and legislative branches of government and the Departments of State Police, Corrections, Health and Human Services, and Treasury. The fiscal impact on local courts would depend on how the bill affected court caseloads and related administrative costs. Because there is no practical way to determine the number of violations that will occur under the bill, an estimate cannot be made of the amount of additional revenue the state would collect, revenue for libraries, or costs to local courts.

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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.