



New Michigan minimum wage and earned sick time law signed and in effect beginning February 21, 2025

February 24, 2025

On February 20th, the Michigan legislature presented notable changes to the Improved Workforce Opportunity Wage Act (IWOWA) and the Earned Sick Time Act (ESTA) to the Governor's desk just before both Acts were scheduled to go into effect on February 21st. The Governor, then, signed both Senate Bill 8 and House Bill 4002 into affect on Friday, February 21st. Some changes include: the immediate increase to the state minimum wage and the planned increases over the next 5 years [this includes changes to the percentage of minimum wage for tipped employees] under IWOWA. Under ESTA, changes include: accrual and frontloading, carryover, delayed compliance for small and new businesses as well as requirements for using earned sick time.

Changes to Improved Workforce Opportunity Wage Act (IWOWA)



Minimum wage planned increase		Tipped Employee
Date effective	Minimum wage	% of min. wage
2/21/2025	\$12.48	38%
1/1/2026	\$13.73	40%
1/1/2027	\$15.00	42%

- Beginning October 2027 and every October after, the state treasurer will calculate an adjusted minimum wage by the rate of inflation and that new minimum wage rate is effective January 1 the next year. The tipped minimum wage percentage will increase by 2% each year until 2031 where it will be capped at 50%.
- If an employer fails to pay an employee the minimum hourly wage, they are subject to a civil fine of \$2,500.

Changes to Earned Sick Time Act (ESTA)

Employee Exemptions

Employees who are exempt from the new law are as follows:

- An employee who works in accordance with a policy that allows them to schedule their own hours and has a policy that prohibits the employer from taking adverse personnel action if the individual does not schedule a minimum number of working hours.
- Unpaid trainees or unpaid interns
- Individuals employed in accordance with the Youth Employment Standards Act, MCL 409.101-.124.

Accrual

- Employees are eligible to accrue one hour of earned sick time for every 30 hours worked up to [a minimum of] 72 hours of accrued time per year. Employees may accrue more than 72 hours annually, but employers have the choice to cap usage at 72 hours in a given year.
- Employees working for small businesses (less than 10 employees) will accrue at the same rate (1 hour for every 30 hours worked) and the required accrued time is 40 hours per year.



Frontloading

As an alternative to the accrual method, employers may choose to frontload the required minimum 72 hours at the beginning of a benefit year (40 hours for small businesses). When Frontloading, employers only track the hours of paid leave time employees use annually. No carryover is required and employers can opt to set a higher limit as well.

- Part-time employees: Employers may frontload the time at the start of a year if:
 - the employer provides the employee with a written notice on how many hours the employee is expected to work in a year at the time of hire;
 - the amount of earned sick time frontloaded is, at a minimum, proportional to the time the employee would accrue if they worked all of the hours expected; and
 - the part-time employee works additional hours, the employer will provide additional hours.

Combining Earned Sick Time with Paid Time off

An employer is in compliance if they meet either of the following conditions:

- provides the employer's employees with PTO not less than the same amounts of time off as provided under ESTA (72/40 hours)
- may be used for a purpose described under the act OR any other purpose. The employer is not required to allow an employee to use PTO for a purpose described in ESTA in an amount that exceeds the amounts of time off provided under the act.

Delayed Use of Time for New Hires

Employers have the option to require a newly hired employee to wait 120 calendar days of employment before being eligible to use accrued time.

Delayed Compliance for Small Business and New Businesses

- Small businesses (less than 10 employees) have until Oct. 1, 2025, to comply with the ESTA requirements.
- New businesses will have a three-year grace period after forming to comply with the ESTA.

Requirements Related to Use of Earned Sick Time

- **Documentation:** the employer may require the employee to provide documentation related the earned sick time taken within 15 days of the request (but can only require after three consecutive days off).
- **Discipline/adverse actions:** an employer can take adverse personnel action against an employee who fails to notify per the employer's policy or misuses the benefit.
- **Abuses:** an employer may take adverse personnel action against an employee if they use earned sick time for a purpose other than a purpose described [under the act] or violates the notice requirements under this act.
- **Reinstatement:** employees who leave an organization or move to a successor employer, but return within two months, must have unused accrued time reinstated [and are eligible to use accrued time upon reinstatement] unless the employer paid out the unused earned sick time upon separation.
- **Rebuttal presumption:** changes to the law have removed language for rebuttal presumption of retaliation if an employer takes adverse personnel action against an employee who uses earned sick time for a purpose other than that provided in the act or if the employee violates the notice requirements of the act.

Have
questions?

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