

Minimum Wage in Illinois Set to Nearly Double by 2025

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Employers in Illinois will be dealing with double digit minimum wage increases over the next several years, after Illinois Governor JB Pritzker signed [“The Lifting Up Illinois Working Families Act”](#) into law.

Illinois employers with employees currently earning the \$8.25 per hour state minimum wage will be most immediately impacted. However, because of the amount of increases involved, all employers need to be aware of the changes this law will bring to their payroll, as the law will eventually impact most employees earning less than \$15 per hour.

The increase will be implemented on a graduated basis. Beginning on January 1, 2020, the minimum wage will increase by one dollar to \$9.25 per hour. It will rise again to \$10.00 on July 1, 2020. Beginning on January 1, 2021, the minimum wage will increase by \$1 each year until it reaches \$15.00 per hour in 2025.

Current	\$8.25
1/1/2020 – 06/30/2020	\$9.25
7/1/2020 – 12/31/2020	\$10.00
1/1/2021 – 12/31/2021	\$11.00
1/1/2022 – 12/31/2022	\$12.00
1/1/2023 – 12/31/2023	\$13.00
1/1/2024 – 12/31/2024	\$14.00
1/1/2025 –	\$15.00

There are several provisions in the law favorable to employers:

- **Minor Employees.** First, employees who are under the age of 18 and who work less than 650 hour per year may be paid less than the full minimum wage. The minimum wage for these employees shall increase from the current \$7.75 to \$8 in 2020, \$8.50 in 2021, \$9.25 in 2022, \$10.50 in 2023, \$12 in 2024, and \$13 in 2025.
- **Tipped Employees.** Second, a “tip credit” will still exist for employees who earn tips. This exception allows employers to pay tipped employees 40% of the applicable minimum wage and to credit the tips earned towards the employer’s obligation to pay the full minimum wage.
- **Tax Credit.** Finally, the new law creates a tax credit for small businesses. Employers with 50 or fewer full-time employees may claim a tax credit based on a percentage of the wage hike paid from January 1, 2020 through December 31, 2020. The credit decreases annually, and will completely phase out at the end of 2027. The credit percentages are: 25% in 2020, 21% in 2021, 17% in 2022, 13% in 2023, 9% in 2024, and 5% in 2025. For qualifying employers with more than 5 employees, the credit will continue at 5% in 2026; for employers with 5 or fewer employees, the credit will continue at 5% in 2026, and 5% in 2027.

Given the wide-ranging impacts of this legislation, the time is now for employers to begin planning to meet their obligations for the first annual minimum wage increase scheduled for 2020.

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