

Illinois's Valentine's Day Gift to Employees: A \$15 Minimum Wage

Saturday, February 16, 2019

On February 14, 2019, the Illinois legislature passed Senate Bill 0001 (SB0001), which amends the Illinois Minimum Wage Law and the Illinois Income Tax Act. Illinois's minimum wage will increase from \$8.25 per hour to \$15.00 per hour over the next six years as follows:

- January 1, 2020 - \$9.25 (\$1.00 increase)
- July 1, 2020 - \$10.00 (\$0.75 increase)
- January 1, 2021 - \$11.00 (\$1.00 increase)
- January 1, 2022 - \$12.00 (\$1.00 increase)
- January 1, 2023 - \$13.00 (\$1.00 increase)
- January 1, 2024 - \$14.00 (\$1.00 increase)
- January 1, 2025 - \$15.00 (\$1.00 increase)

SB0001 also includes stiffer penalties for employers that fail to comply with the law. Under Illinois's current minimum wage law, employers are liable for unpaid wages plus 2 percent interest for each month after the underpayment occurred during which the payment remained unpaid. Those penalties increase under SB0001 to *triple* the amount of unpaid wages plus 5 percent interest for every month in which the wages remain unpaid. Additional penalties for noncompliance include a \$1,500 fine payable to the Illinois Department of Labor (IDOL)—if the employer's conduct is found to be "willful, repeated, or with reckless disregard of th[e] Act"—and a penalty of \$100 per impacted employee for failure to maintain accurate payroll records. SB0001 also authorizes the IDOL to randomly audit employers to determine compliance.

To ease the burden on smaller employers, SB0001 allows employers with 50 or fewer employees to claim a tax credit on the difference between an employee's wage in the prior year and the increased wage each January 1. That credit, however, will be reduced by 4 percent each year until it is completely eliminated in 2026 for employers with six or more employees (2027 for employers with five employees or fewer).

During his gubernatorial campaign, Governor J. B. Pritzker promised to raise Illinois's minimum wage within his first six months in office. He said in a news release that SB0001's passage was a "resounding victory for the 1.4 million Illinoisans who will soon get a hard-earned and well-deserved raise." Governor Pritzker is expected to sign the bill in advance of his February 20, 2019, budget proposal.

Employers in Illinois may want to start preparing now for the January 1, 2020, minimum wage increase. Given the increased penalties, employers may want to conduct an audit of all pay practices to ensure that all employees are being paid correctly and that accurate records are being maintained.

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Source URL: <https://www.natlawreview.com/article/illinois-s-valentine-s-day-gift-to-employees-15-minimum-wage>



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