

# Changes Coming in 2025 to Michigan Minimum Wage, Tip Credit, and Earned Sick Time

Article By:

Adam S. Forman

Nancy Gunzenhauser Popper

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The Michigan Supreme Court has written the latest, and perhaps last, chapter of an ongoing saga affecting most Michigan employers. In [Mothering Justice v. Attorney General](#), the Michigan Supreme Court fully restored sweeping minimum wage and paid sick leave laws, bringing finality to a legal controversy that has been churning since the laws were first proposed in 2018.

Pursuant to that decision, the laws will take full effect in their original form, about six months from now, on February 21, 2025.

## How We Got Here

In 2018, labor advocacy groups presented the Michigan legislature with two voter initiatives related to minimum wage (the Improved Workforce Opportunity Wage Act (IWOWA)) and paid sick leave (the Earned Sick Time Act (ESTA)) through the state's citizen initiative process. Michigan's constitution allows voter initiatives to propose legislation, and the legislature may take one of these three actions: (1) adopt "without change or amendment"; (2) reject and place the proposed legislation on the ballot; or (3) reject and propose an amendment, placing both on the ballot. As we [previously explained](#), the Legislature quickly enacted amended versions of the IWOWA ([2018 PA 368](#)) and the ESTA, which was renamed the Paid Medical Leave Act (PMLA) ([2018 PA 369](#)), with significant changes. As we detailed [here](#), the amended versions of these laws were less burdensome to employers.

The legislature's actions led the initiatives' advocates to file a legal action challenging the lawmakers' authority to modify a voter initiative so quickly and dramatically through a process labeled "adopt and amend." That lawsuit has wended its way through Michigan's courts, with the final outcome decided on July 31, 2024, echoing that of the initial holding issued in 2022: the Michigan legislature's adoption-and-amendment of the two initiatives violated the State constitution's provision on voter initiatives. Hence, those amendments are void as unconstitutional and the laws as originally conceived should take effect.

## Practical Implications

This decision will have significant practical impact on Michigan employers. The original versions of both laws – IWOWA ([2018 PA 337](#)) and ESTA ([2018 PA 338](#)) – will take effect on February 21, 2025, 205 days after the court’s issuance of the opinion’s publication, based on the original law’s terms, providing that many days between enactment and effectuation. The court also identified adjustments, deemed necessary due to inflation, to applicable minimum wage and tip credit provisions, as discussed in more detail below.

**The Details**

**(1) Minimum Wage Increases and Tip Credit Phase Out Schedule**

Although the court reinstated the IWOWA, it did not state the actual minimum wage increases, instead directing the State Treasurer to identify the amounts based on inflation adjustments. The tip credit rate will increase beginning in 2025 in accordance with the following schedule:

Date	Minimum Wage Rate	Tip Credit Rate
February 21, 2025	\$10.00 <i>plus inflation adjustment</i>	48% of minimum wage
February 21, 2026	\$10.65 <i>plus inflation adjustment</i>	60% of minimum wage
February 21, 2027	\$11.35 <i>plus inflation adjustment</i>	70% of minimum wage
February 21, 2028	\$12.00 <i>plus inflation adjustment</i>	80% of minimum wage

The tip credit will be eliminated as of February 21, 2029. Thereafter, the State Treasurer will adjust the minimum wage rate using a statutory formula that calculates inflation based on the consumer price index for urban wage earners and clerical workers.

Note that the current minimum wage in Michigan is already \$10.33 per hour and the tipped worker hourly rate is \$3.93, which is 38 percent of the standard minimum rate.

**(2) Paid Leave Obligations Will Expand**

Perhaps even more broadly impactful than the gradually increasing minimum wage and rising (and then elimination) of tip credits is the reinstatement of a more generous paid sick leave law that covers virtually all Michigan employers. The current sick leave law limits coverage to employers with 50 or more employees, applies only to non-exempt employees, and caps leave at 40 hours annually.

Starting on February 21, 2025, nearly all employers will be covered by the ESTA. Employers with one to ten employees must permit employees to accrue and use up to 40 hours of paid sick time annually. Employers of ten or more employees must allow the accrual and usage of up to 72 hours annually. Importantly, the sick leave law will apply to all employees, and not just non-exempt employees. There is still much unknown about the implementation of the new law – whether frontloading sick leave is permissible, how alternative leave policies change carryover, and the impact of a private right of action.

**Is This Really Final?**

Absent a motion for reconsideration, the Michigan Supreme Court's decision represents the final judicial word on these issues.

The court's majority opinion, however, notes that the Legislature remains at liberty to modify one or both of the laws in a "subsequent session." The current legislative session, which runs until December 31, 2024, qualifies as a subsequent session, meaning that lawmakers could fashion and approve new legislation to amend the original IWOWA and/or the ESTA before the February 2025 effective date. We will monitor and advise on any developments on this front.

## What Should Michigan Employers Do Now?

In the meantime, as we [anticipated](#) earlier, it makes sense for Michigan employers to start preparing and budgeting for the changes. With respect to the coming minimum wage hikes, the precise amounts of annual increases will be calculated by the state's Treasurer. Once those figures are made available, employers can plan for changes to their payroll expense, especially if they employ tipped workers.

As for paid sick leave, employers need to revisit their existing sick leave policies to account for the higher accrual amounts (40 to 72 hours for many employers) and expanded scope of covered employees (only non-exempt to all employees), among other things. The Michigan Department of Labor and Economic Opportunity ([LEO](#)) currently provides [guidance materials](#) based on the now-invalidated version of the paid leave laws, and we anticipate that these will be updated to align with the original law's expanded requirements, unless new legislation is enacted to amend those provisions. We will monitor the agency and keep you apprised of any information. EBG attorneys are also preparing a detailed analysis of the ESTA's requirements and will be available to assist with updates to employers' handbooks, personnel management procedures, and other aspects of workforce management implicated by these changes.

Finally, the Supreme Court's decision also held that employers may not be held liable for complying with the amended versions of the IWOWA and PMLA, even though both amending acts have now been deemed unlawful. Thus, the decision is not retroactive, so the plaintiffs' bar will not be able to assert claims based on noncompliance with the IWOWA or ESTA in their original forms prior to February 21, 2025.

***Elizabeth A. Ledkovsky contributed to the preparation of this post***

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