

2024 Minneapolis Small Business LABOR LAW UPDATE

Launching and running a small business is one of the hardest jobs ever. For those businesses launched out of necessity, and/or with fewer resources, connections and support, it is even harder. Understanding and fully complying with labor laws can often fall off very small business owners' long to-do lists.

In 2024, several labor laws impacting Minneapolis businesses changed. This update is provided to participating businesses, allies and community bookkeepers so that you are aware of the changes in the law. This resource also includes links to local, state and national resources on each topic.

The **Minneapolis Small Business Payroll and Bookkeeping Pilot** project aims to level the playing field by providing Immigrant and Black, Indigenous, and People of Color owned (I/BIPOC) small businesses with additional back office support to address inequities. In year one of the pilot we provided small businesses with a year of free back-office software and support, including payroll processing, employee time tracking, and bookkeeping. In year two of the pilot we are also working with community bookkeepers to strengthen their support to I/BIPOC small businesses on labor law compliance. By systematizing back office functions, we aim to help these businesses maintain good jobs that meet labor law standards and more successfully grow their business.

This project is a joint project of the City of Minneapolis and Workplace Justice Lab@Rutgers University



the workplace
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LABOR LAW COMPLIANCE









Employee Classification - W2 / 1099

*No substantive changes in 2024**

- ***Depending on the specifics of the position and work, employees are classified as either employees or independent contractors. This is not a distinction that employers or employees can make -- but is based on how the position is structured.***
 - Employees perform an essential part of an employer's operation. The employer provides material, tools, or space and controls how the employee performs the job. Employees get paid a regular wage, receive employee benefits, and have taxes withheld from those wages. Employees are also offered more protection: workers compensation, anti-discrimination protection, etc. Employers have to pay payroll taxes on their wages. They receive a W2 for their taxes.
 - Independent contractors are the reverse. They operate their own business. They tend to get paid for projects, they worry about their own taxes, provide their own tools and materials, and work when and where they want. For tax purposes, the IRS considers them to be self-employed, which means they have to pay self-employment tax. They receive a 1099 form to file their taxes.

** The Federal Department of Labor just updated the test if an employee can be classified as 1099. This should not change classification in any significant way.*

- *For more information:* [Get the Facts on Misclassification](#) Dept of Labor
- [Misclassification of Employees as Independent Contractors | U.S. Department of Labor \(dol.gov\)](#)
- See helpful chart below

 EMPLOYEE	OR	INDEPENDENT CONTRACTOR
Working for someone else's business		Running their own business
Paid hourly, salary, or by piece rate		Paid upon completion of project
Uses employer's materials, tools and equipment		Provides own materials, tools and equipment
Typically works for one employer		Works with multiple clients
Continuing relationship with the employer		Temporary relationship until project completed
Employer decides when and how the work will be performed		Decides when and how they will perform the work
Employer assigns the work to be performed		Decides what work they will do

Wage Theft Prevention

- Wage theft, whether willful or not, is underpayment or failure to pay all wages owed, including: Working off-the-clock, Paying less than the promised wage, Not receiving time and a half for overtime, Misclassification, Unlawful deductions from paychecks, No payment at all and/or Having hours shaved off paychecks.
- Employers must accurately pay all wages earned by an employee (in the city) on a regularly scheduled payday. Wages include all types of earnings, salaries, tips, and commissions
- Employees must receive written notification of their terms and conditions of employment, including pay rate, leave and any benefits, at the beginning of their employment.
- The city provides sample pre-hire notices in English and Spanish on this [city website](#). These notices are an excellent way to ensure employees and employers are setting up employees correctly when they are hired.

- Employee's pay stubs must also display sick and safe time accrual and use data.
- Employers also have record keeping responsibilities, such as maintaining record of hours worked, paystub histories, and company policies given to employees.

Additional information

- *Information & tools to comply with on Minneapolis's Wage Theft Ordinance [here](#)*

Overtime Pay

- An **employee's overtime hours and pay** are governed by either state or federal law.
- **The Minnesota Fair Labor Standards Act** requires all employers, regardless of gross annual revenue, to pay overtime for all hours worked in excess of **48** hours in a seven-day period.
- Employees in businesses covered by the federal **Fair Labor Standards Act (FLSA)** must receive overtime pay for **hours worked over 40 in a workweek** at a rate not less than time and one-half their regular rates of pay.
- Employers covered by FLSA include: businesses with gross annual sales of more than \$500,000, businesses whose employees produce or handle goods for interstate commerce; and certain other businesses, including hospitals, nursing, homes, schools. These criteria cover the vast majority of businesses.
- A small number of employees are **exempt from Federal and state overtime rules**.
 - There are six categories of employment that, due to the specific job duties and compensation levels, are legally exempt from overtime requirements. Under the three most common exemption categories - Executive, Administrative, and Professional - the employee must have decision making authority that includes exercise of discretion and independent judgment with respect to matters of significance, among other duties specific to each exemption category. Job titles alone do not indicate whether an employee can legally be considered exempt.
 - An employee is only exempt from overtime requirements if their job duties fall under one of the federal exemption categories and they are paid at least \$648

per week, regardless of whether the employee is paid on an hourly or salary basis.

Additional Information

- Federal Overtime rules & exceptions
<https://www.dol.gov/agencies/whd/overtime>
- Federal exemption requirements, see the DOL [Fact Sheet #17A: Exemption for Executive, Administrative, Professional, Computer & Outside Sales Employees Under the Fair Labor Standards Act \(FLSA\) | U.S. Department of Labor \(dol.gov\)](#)
- State of Minnesota overtime requirements
- [Overtime laws | Minnesota Department of Labor and Industry \(mn.gov\)](#)

Min Wage

NEW: Minimum Wage increased for large businesses on Jan 1, 2024 and will rise for small businesses on July 1, 2024

- For franchises and businesses with 100+ employees nationwide, the Minimum Wage in Minneapolis rose to \$15.57 on Jan. 1, 2024.
- The minimum wage for employers with 100 or fewer employees is \$14.50 until July 1 2024, when it rises to meet the large business minimum wage of \$15.57/hour.
- After July, a single minimum wage will apply to businesses of all sizes. That wage will increase slightly every January 1st.
- Coverage depends on the physical location (in Minneapolis) of the employee while performing work.
- This wage applies regardless of the employee's age.

Additional information

- Minneapolis Minn Wage <https://minimumwage.minneapolismn.gov/>
- Minneapolis Wage Theft
<https://minimumwage.minneapolismn.gov/wagetheft.html>
- Worksite poster with information on [Minneapolis Min Wage, Wage Theft & Earned Sick & Safe Time regulations.](#)

Tipping and Service Charges

No changes in 2024

TIPS

- Tips are the sole property of waitstaff
- Employers have no role in determining how tips are distributed.
- Tip pooling is voluntary and must be requested by all employees
- Employers may report tips for proper taxation.

SERVICE CHARGES

- Service Charges are the property of the business.
- Food service businesses may use a service charge model, if customers are told that the service charge is not a gratuity.
- Must be in writing in 18 point type in menus and 9 point type on receipts.
- Suggest they seek advice from a BTAP provider!!

Additional Information

- Minnesota flier on tipping rules
<https://www.dli.mn.gov/sites/default/files/pdf/tips.pdf>
- Minnesota State page on tipping <https://www.dli.mn.gov/tips>
- Detailed national article with information on bookkeeping implications
<https://theforkcpas.com/analyzing-the-implications-of-service-charges-vs-tips/>

Earned Sick and Safe Time

NEW: On Jan 1, 2024 a new state law went into effect providing paid sick time to employees. Many Minneapolis businesses covered by the city's sick time ordinance will see no changes. However, businesses of all sizes must offer PAID sick time and accrued sick time can be used without any wait period. Below are summaries of the two laws.

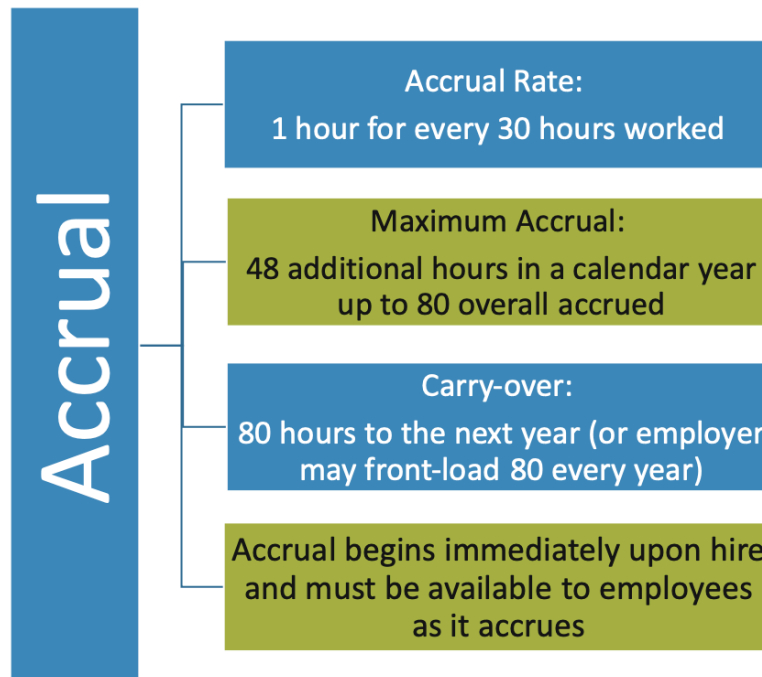
Minnesota. Effective Jan. 1, 2024, Minnesota's earned sick and safe time law requires employers to provide all employees who work in the state -- including part-time, seasonal, and temporary staff, with access to paid sick leave. The amounts of earned sick and safe time (or equivalent leave) are the same as the Minneapolis law and so will require no additional updates.

- Employers are required to accrue one hour of sick and safe leave for every 30 hours worked,
- up to 48 hours of sick and safe time per year and add it to an overall bank of up to 80 hours of accrued time.

Businesses of all sizes are now covered and must offer **paid** sick leave to their employees.

Employers must include the total number of earned sick and safe time hours available for use, as well as the total number of earned sick and safe time hours used, on earnings statements provided to employees at the end of each pay period; Under the state law, businesses have [several options for accrual and roll-over of sick days](#) at the end of the year.

Sick and Safe Time



Minneapolis. With the passage of the state earned sick and safe time law, it is anticipated that the city ordinance will soon be updated to align with the state law. Until then, Minneapolis businesses will need to follow any state requirements that are more generous to employees than the city ordinance. For example:

- Under the Minneapolis city ordinance, if you had fewer than 6 employees (including all owners), this leave could be unpaid. But, as of January 1, 2024, state law now requires that sick and safe leave for all employees be paid.
- Under the Minneapolis city ordinance, sick leave started accruing on day one of employment, but employers did not have to allow use of the accrued sick leave until after 90 days of employment. The state law allows use of sick leave as it is accrued, without a waiting period.

Additional Information

- [MN DoL Earned Sick & Safe Time](#)
- [FAQs: Earned sick and safe time \(ESST\) | Minnesota Department of Labor and Industry \(mn.gov\)](#)
- **Minnesota ESST Employee Notes in English: [Word](#) | [PDF](#) and [Other languages](#)**
- **Minnesota ESST Employee Fact sheet: [English](#), [Amharic](#), [Chinese](#), [Hmong](#), [Karen](#), [Laotian](#), [Oromo](#),**
- *Download a [Worksite poster](#) with information on Minneapolis Min Wage, Wage Theft & Earned Sick & Safe Time regulations*

Paid Leave

NEW: Paid Family and Medical Leave is a new program launching for Minnesotans in 2026. It provides paid time off when a serious health condition prevents you from working, when you need time to care for a family member or a new child, for certain military-related events or for certain personal safety issues.

Minnesota

- Modeled on successful state paid leave programs in over a dozen other states, Minnesota's paid leave program will collect a small predictable premium from employee's wages paid by employees and employers.

- Paid leave allows owners and employees to take paid time from work for themselves or a loved one to welcome a new baby, address a serious illness such as cancer, or recover from COVID, while staying connected to the workforce.
- This program will be phased in over the next two years. When up and running, most Minnesota employees will become eligible to take paid leave after they have earned more than about \$3,500 in wages within the state over a period of a year.
- Paid Leave premiums will begin being collected on Jan 1, 2026. They will be 0.7% of an employee's taxable wages. Employers may charge a maximum of half this premium (or 0.35%) to their employees through a wage deduction.
- To prepare for this date, employers have other responsibilities
 - Starting in mid-2024, most Minnesota employers will be required to submit a wage detail report, which will detail the quarterly wages received and hours worked for each employee.
 - Starting in late 2025, employers must notify their employees about the program. The Paid Leave program will provide language for this notification.
 - Starting in January 2026, employers will also be required to submit any premium payments due.

Additional Information

- To get regular email updates for employers on the roll out of the Minneapolis Paid Leave program [sign up here](#)
- State website with [Information for Employers](#)

Recap of Compliance best practices

1. Ensure new employees are set up correctly!!!
2. Give employee a pre-hire notice
3. Have timekeeping and payroll software
4. Know what payroll does and does not do automatically
5. Review each employee annually
6. If you have questions - reach out to BTAP!!

Support & Contacts

Minneapolis Labor Standards Office:

For a free labor compliance consultation, you may contact Minneapolis Labor Standards directly for information on the key ordinances at

- SickTimeInfo@minneapolismn.gov
- minwage@minneapolismn.gov
- wagetheft@minneapolismn.gov

BTAP / ELEVATE

The City of [Minneapolis Business Technical Program \(BTAP\)](#) and Hennepin County [Elevate program](#) providers are available to provide a wide range of supports to your business. Feel free to contact your case manager to talk through which provider might be best to meet your needs, check the links above and/or the providers who are linked to the pilot below.

Minneapolis Small Business Pilot program

If you have any questions about our Pilot program, contact

cynthia.ward@rutgers.edu