

AMERICAN PAYROLL ASSOCIATION

February 23, 2021

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
1236 Longworth House Office Building
Washington, DC 20515

The Honorable Chuck Schumer
Majority Leader
U.S. Senate
322 Hart Senate Office Building
Washington, DC 20510

Re: Concern about the effective date of an increase in the federal minimum wage

Dear Speaker Pelosi and Majority Leader Schumer:

The American Payroll Association (APA)¹ is concerned about the effective date of an increase in the federal minimum wage and asks that Congress consider a phased approach. This phased approach will provide employers and payroll managers sufficient time to adjust their systems and processes to accommodate federal minimum wage changes, while lowering administrative burden and costs to employers.

Please note that we are not taking a position on the dollar amount of the federal minimum wage. While payroll professionals are interested in the welfare of employees, the actual dollar amount of the minimum wage does not impact payroll processes.

At issue for the APA are the implementing provisions. It takes times for payroll operators to implement changes like this because federal changes must be reconciled with state and local minimum wage requirements, employment tax withholding must be adjusted, and employee contributions to retirement plans can shift.

For example, APA supports the effective date of the changes to the minimum wage found in H.R. 603, the Raise the Wage Act of 2021, due to implementation guidelines that specify reasonable enactment and effective dates. Section 7 of H.R. 603 states that the first increase from the current minimum wage (\$7.25 per hour) to the proposed minimum wage (\$9.50 per hour) will occur on the first day of the third month that begins after the date of enactment. The period between the enactment and effective dates will allow employers

¹ Established in 1982, the American Payroll Association (APA) is a not-for-profit association serving the interests of about 20,000 payroll professionals nationwide. APA's primary mission is to educate its members and the payroll industry about the best practices associated with paying America's workers while complying with applicable federal, state, and local laws and regulations. APA members are directly responsible for calculating wages and tax withholding for their employers.

sufficient time to adjust the pay rates of employees who are currently paid between \$7.25 and \$9.50 per hour. This is similar to the effective date found in the last minimum wage change in the Fair Minimum Wage Act of 2007. That Act gave employers two months after enactment to implement the minimum wage change.

The APA recommends changing the effective dates of subsequent changes to the federal minimum wage from one year after the first effective date to January 1 of subsequent years for the following provisions in H.R. 603:

- The minimum wage changes found in Section 2,
- Tipped employees minimum cash wage changes found in Section 3,
- The minimum wage changes for newly hired employees who are less than 20 years old found in Section 4, and
- The fair wages for individuals with disabilities found in Section 6.

Making annual minimum wage changes on January 1 each year will reduce the administrative burden on employers because the changes would occur concurrently with minimum wage changes at the state and local levels. Reducing administrative burden will provide cost savings for businesses throughout the U.S.

Sincerely,



Alice P. Jacobsohn, Esq.
Director, Government Relations

For APA's Government Relations Task Force Subcommittee on Federal Issues
Cochairs: Becky Harshberger, CPP, and Jon Schausten, CPP