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NCDOL
N.C. Department of Labor



Cherie K. Berry
Commissioner



NORTH CAROLINA MINIMUM WAGE

The minimum wage in North Carolina is currently \$6.55 an hour. Employers doing business in North Carolina are required to pay at least \$6.55 per hour to all employees (agricultural and domestic employees are subject to the federal minimum wage). The \$6.55 per hour state minimum wage also applies to the state of North Carolina, to county and local governments and to instrumentalities of government.

Effective July 24, 2007, the federal minimum wage increased from \$5.15 per hour in three steps: to \$5.85 per hour effective July 24, 2007; to \$6.55 per hour effective July 24, 2008; and to \$7.25 per hour effective July 24, 2009. In North Carolina, employers are required to pay the higher of the state or federal minimum wages. So, the minimum wage employers are required to pay their employees in North Carolina remained at \$6.15 per hour until July 24, 2008, when it increased to \$6.55 per hour. And the minimum wage will increase again to \$7.25 per hour on July 24, 2009.

The following chart shows the changes to the minimum wage from January 2007 through July 2009:

Effective Date	Minimum Wage
Jan. 1, 2007	\$6.15
July 24, 2008	\$6.55
July 24, 2009	\$7.25

For employers who have “tipped employees,” there will also be a change in the required minimum rate of pay. Employers are permitted to take a credit, for a certain amount of tips earned by their employees, toward the employers’ payment of the minimum wage. However, for an employer to be able to count tips as wages and take a tip credit towards the minimum wage, the state labor law requires that tipped employees be notified in advance and be permitted to retain all tips, and requires that the employer maintains accurate and complete records of tips received by each employee and such tips must be certified by tipped employees monthly or for each pay period. Tip pooling is permitted as long as the tipped employees retain at least 85 percent of the tips they receive, which means the employer must maintain accurate and complete records of the tips received and the amount of tips earned under the tip pooling arrangement.

In North Carolina, the maximum amount of an employee’s hourly tips that employers are permitted to credit toward payment of the minimum wage is determined by reference to the federal FLSA. N.C. Gen. Stat. § 95-25.3(f) provides that “tips earned by a tipped employee may be counted as wages **only up to the amount** permitted in section 3(m) of the Fair Labor Standards Act.” Under Section 3(m) of the FLSA, an employer is allowed to count as wages a portion of the tips that a tipped employee receives – and this credit is equal to the minimum wage established under Section 6(a)(1) of the FLSA and the amount the cash wage required to be paid such an employee on the date of the enactment of this Section 3(m) of the FLSA (\$2.13). This will result in a three-step change to the cash wage required for tipped

employees.

Effective Date	Minimum Wage	Tip Credit Allowed	Cash Wage
Jan. 1, 2007	\$6.15	\$3.02	\$3.13
July 24, 2007	\$6.15	\$3.72	\$2.43
July 24, 2008	\$6.55	\$4.42	\$2.13
July 24, 2009	\$7.25	\$5.12	\$2.13

Thus, effective July 24, 2008, when the minimum wage increased to \$6.55 per hour, an employer may pay as little as \$2.13 an hour to tipped employees, which will remain the same when the minimum wage increases to \$7.25 per hour on July 24, 2009, as long as each employee receives enough in tips to make up the difference between the wages paid and the minimum wage.

Employers must pay more than the hourly cash wage if the tipped employee earns less than the credit in tips per hour, as it is the employer's responsibility to make sure that all tipped employees earn at least the minimum wage in cash wages and tips.

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