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Q. How does the new minimum wage law affect my small business?

A. The first increase, to \$5.85 per hour, took effect July 24, 2007 and probably did not affect many employers in our area. However, the minimum wage will increase again to \$6.55 per hour a year later (July 24, 2008), with the final increase to \$7.25 occurring two years after enactment (July 24, 2009).

The minimum wage increase primarily affects small business owners and the restaurant industry – who strongly opposed the measure due to concerns that the wage increase would force small businesses and restaurants to raise prices, lay off employees, and limit hiring and benefits. To help address this issue, the law as passed included a compromise tax cut package for small businesses, including specific breaks for restaurants.

In total, the final law included \$4.84 billion in tax relief over ten years. More than half of these breaks will pay for an expansion of a tax credit program for employers that hire employees from certain targeted groups, such as former welfare recipients and at-risk youths. The law also raised the amount that small businesses may deduct for equipment purchases to \$125,000. Finally, the measure included tax incentives for rebuilding areas affected by Hurricane Katrina.

Nationally, it is estimated that only 10 percent of the workforce received an increase in their hourly wage rate due to the first increase in the minimum wage, including the four percent of employees who currently earn less than \$7.25 per hour. The other six percent earning slightly above the new minimum are expected to benefit from an increase due to "spillover effects" of the change. Keep in mind that this is a national estimate. Alabama as a state will see more individuals currently paid under \$7.25 per hour than the national average. However, Gulf Coast cities will be closer to the national average.

For more information on the new minimum wage or how it will affect your company, contact Stephanie@constantinehrc.com or call 251-508-3883.