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**Labor & Workplace Standards  
Committee**

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**HB 1764**

**Brief Description:** Concerning labor standards.

**Sponsors:** Representatives Mena, Berry, Fosse, Scott, Parshley, Salahuddin, Ramel, Ormsby, Doglio, Pollet, Goodman, Macri and Reed.

**Brief Summary of Bill**

- Makes annual incremental increases to the minimum hourly wage rate, from \$17.50 in 2026 to \$25 in 2031.
- Requires employers to provide each employee with at least 2.3 hours of paid vacation leave for every 40 hours worked.
- Requires employers to provide each employee with at least five days of paid bereavement leave per calendar year.
- Allows the Department of Labor and Industries to issue a stop work order until an employer has paid the amounts owed to employees.

**Hearing Date:** 2/11/25

**Staff:** Kelly Leonard (786-7147).

**Background:**

The Minimum Wage Act (MWA), administered and enforced by Department of Labor and Industries (L&I), establishes a statewide minimum hourly wage, requires overtime pay for certain workers, provides for paid sick leave, and establishes other employment standards.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

*Wages.* Employers must pay employees at least the minimum hourly wage for all hours worked. Initiative Measure No. 1433, approved by the voters on November 8, 2016, increased the minimum hourly wage over a period of time, from \$11 in 2017 to \$13.50 in 2020. L&I is required to make an annual adjustment to the minimum wage based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The 2025 minimum hourly wage rate is \$16.66. If a local jurisdiction adopts a different hourly wage rate than the state, the higher rate applies within the applicable jurisdiction.

An employer must pay to its employees all tips, gratuities, and service charges, which may not count towards the minimum hourly wage. An employer must also pay its employees overtime for any hours worked in excess of 40 hours in a 7-day workweek. Overtime pay must be at least 1.5 times the employee's regular hourly rate. Employees cannot waive their right to overtime pay.

*Sick Leave.* Initiative Measure No. 1433 also modified the MWA to require employers to provide paid sick leave to employees. Employees accrue at least one hour of paid sick leave for every 40 hours worked. Paid sick leave must be paid at the employee's normal hourly rate of compensation, and must be available in increments consistent with the employer's normal payroll practices. An employee is entitled to use accrued paid sick leave for specified reasons beginning on the ninetieth calendar day after the commencement of his or her employment. If an employee does not use all of his or her available paid sick leave by the end of the accrual year, the employer must carry over balances of 40 hours or less to the next year. An employer is generally not required to pay the employee for any unused paid sick leave upon the employee's separation from employment, also referred to as a cash-out, unless the employee is a construction worker who has not met the 90-day threshold for using leave. An employer may not discriminate or retaliate against an employee for his or her use of paid sick leave. Employers may also opt to provide more generous paid leave policies and permit use of paid sick leave for additional purposes.

State law does not require employers to provide paid holidays, vacation leave, bereavement leave, or other forms of paid time off. If an employer opts to provide these benefits, then the employer may be required to allow for use of paid time off under the Family Care Act. Employees may also be eligible for paid leave benefits through the Paid Family and Medical Leave Act.

*Exemptions.* State law exempts certain categories of workers from the MWA, including for example: bona fide executive, administrative, professional, computer professional or outside sales employees, often referred to as "white collar" employees; casual laborers; workers whose duties require that they sleep or reside at the place of employment; workers who spend a substantial portion of their work time subject to call; and employees of certain charitable institutions charged with child care responsibilities.

To be considered a bona fide executive, administrative, professional, computer professional, or outside sales employee, a three part test must be met, as follows: (1) the employee's job duties

must primarily involve specific duties as defined by L&I rules; (2) the employee must be paid a predetermined and fixed salary; and the salary must meet a minimum threshold. L&I is directed to establish the minimum salary threshold for exempt employees. The threshold is calculated based on a set multiplier of the state minimum wage for a 40-hour workweek. The current multiplier varies depending on the category of worker and the size of the employer. In 2020 L&I adopted rules to incrementally increase the multiplier for it to reach 2.5 for executive, administrative, professional, and outside sales employees in 2028 and 3.5 for computer professionals in 2022. For example, for an executive professional satisfying the duties standards and working for a small employer to be exempt in 2025, the employee's weekly salary must be at least 2 (the current multiplier) multiplied by \$16.66 multiplied by 40 hours, which equates to \$1,332.80.

*Transportation Network Company Drivers.* A transportation network company (TNC) is a company that uses a digital network platform to connect passengers to drivers for the purpose of providing prearranged rides. Drivers use personal vehicles when operating for TNCs. In 2022 the state established certain rights and protections for these drivers under the MWA, including minimum per mile, per minute, and per trip rates, and the right to paid sick time for comparable reasons to what is allows for employees. Drivers accrue paid sick time upon recording 90 hours of passenger platform time on the platform, may carry over up to 40 hours of unused paid sick time to the next year, and may use sick time in increments of four hours or more. Transportation network companies must also provide drivers with certain notices and trip receipts.

**Summary of Bill:**

*Wages.* The minimum hourly wage is increased, as follows:

<i>Starting Date</i>	<i>Hourly Rate</i>
January 1, 2026	\$17.50
January 1, 2027	\$19.00
January 1, 2028	\$20.50
January 1, 2029	\$22.00
January 1, 2030	\$23.50
January 1, 2031	\$25.00

Beginning in 2032 L&I must adjust the minimum hourly wage rate for inflation based on the CPI-W on an annual basis.

Similar to the requirements for the state minimum hourly wage, tips, gratuities, and service charges also do not count toward either a local government's required higher minimum wage. An employer must pay to its employees all tips, gratuities, and service charges.

*Paid Vacation Leave.* An employer must provide each employee with at least 2.3 hours of paid

vacation leave for every 40 hours worked. Paid vacation leave must be paid at the employee's normal hourly rate of compensation. An employees may use vacation leave for any purpose after 90 days of employment. An employer may require the employee to give reasonable notice of an absence from work, so long as such notice does not interfere with the employee's lawful use of paid vacation leave. An employee may carry over at least 40 hours of unused vacation leave to the following year. Employers are not required to provide cash outs of vacation leave, except for construction workers who have not met the 90-day threshold to use the leave. Employers may adopt more generous vacation leave policies. An employer may not discriminate or retaliate against an employee for his or her use of paid vacation leave.

L&I must adopt rules requiring similar paid vacation leave standards for bona fide executive, administrative, professional, computer professional or outside sales employees who are otherwise exempt from the requirements in the MWA. L&I must also adopt rules regarding the employee's reasonable notices of leave, combined paid time off leave banks, and circumstances when an employer may deny an employee's use of vacation leave.

*Paid Bereavement Leave.* An employer must provide each employee with at least five days of paid bereavement leave per calendar year to be used for the death of an employee's family member. Paid bereavement leave must be paid at the employee's normal hourly rate of compensation. An employer may not require an employee to take paid bereavement leave on consecutive days. An employer require verification of the family member's death, so long as the employer has a written policy or a collective bargaining agreement outlining such a requirement. Employers may adopt more generous bereavement leave policies. An employer may not discriminate or retaliate against an employee for his or her use of paid bereavement leave.

*Transportation Network Company Drivers.* The paid sick time provisions for drivers with TNCs are modified. Paid sick time may be used in increments of a minimum of one or more hours.

Transportation network companies must provide drivers with at least 2.3 hours of paid vacation time for every 40 hours of passenger platform time worked. Standards for use of paid sick time by drivers are established, similar to those standards for paid sick time. A TNC may not take any action against a driver that adversely affects the driver's use of the transportation network due to the driver's use of earned vacation leave.

Current law provisions governing transportation network drivers are reorganized.

*Stop-Work Orders.* L&I is authorized to issue a stop work order when an employer has violated the bill. The stop work order remains in place until the employer has paid the amounts owed to employees. An employer subject to an order must pay employees their normal compensation during the stop-work period. L&I may assess a civil penalty of up to \$5,000 for each day the employer conducts business operations in violation of the stop work order. L&I may adopt penalty amounts that vary by the size of the employer, and must annually adjust penalties based on the rate of inflation beginning in 2028. An employer may contest a stop work order by filing a petition in court within 72 hours of the issuance of the order.

L&I is also authorized to issue a stop work order when a TNC violates requirements. These stop work orders include similar requirements and penalties to those applicable to employers.

**Appropriation:** None.

**Fiscal Note:** Requested on January 30, 2025.

**Effective Date:** The bill takes effect on January 1, 2026.