



## AZ Proposition 206 Fact Sheet

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**Summary:** On November 8<sup>th</sup>, 2016 Arizona voters passed the “Minimum Wage and Paid Time Off Initiative”, known as Proposition 206. The purpose is twofold:

- To increase Arizona’s Minimum Wage from \$8.05 per hour in 2016 to \$12.00 per hour by the year 2020, in increments.
- To require that employers provide paid sick time to employees.

### **Minimum Wage Increase:**

- ✓ \$10.00 per hour on January 1, 2017
- ✓ \$10.50 per hour on January 1, 2018
- ✓ \$11.00 per hour on January 1, 2019
- ✓ \$12.00 per hour on January 1, 2020

After 2020, Arizona’s minimum wage will increase for cost of living increases, per current law.

### **Paid Sick Time Requirement (PST):**

Starting on July 1, 2017: All private and municipal employers must accrue a minimum of one hour of paid sick leave per 30 hours worked for each employee, per the following terms and limits:

- Employers with **fewer than 15 employees** must permit employees to accrue up to 24 hours of PST per year and to allow use of up to 24 hours of accrued PST per year
- Employers with **15 or more employees** must permit employees to accrue up to 40 hours of PST per year and to allow use of up to 40 hours of accrued PST per year.
- FLSA-Exempt Employees: These employees are presumed to work 40 hours per week for accrual purposes, except for weeks in which they work fewer than 40 hours, in which case PST accrues based on actual number of hours worked.

### **Which employees are covered?**

- All employees, even part-time and temporary workers, are covered under Prop. 206

### **Other important things to know:**

- PST begins to accrue at hire date, or on July 1, 2017, whichever is later.
- Employers may require employees hired after July 1, 2017 to wait until the 90<sup>th</sup> calendar day after hire date to begin using accrued PST.
- Unused accrued PST carries over from one year to the next, but accrued PST does not need to be paid out upon termination of employment. Employers may opt to pay out accrued and unused PST in lieu of carryover to the following year.

- “Foreseeable” leaves require an employee to make a good faith effort to provide notice to the employer in advance and make a “reasonable effort” to schedule time off “in a manner that does not unduly disrupt the operations of the employer.”
- “Not foreseeable” leaves require no prior notice to the employer, unless there is a written policy that contains procedures for providing notice.
- Employers must post notices in the workplace regarding PST rights.
- Employers must keep accurate payroll records showing hours worked, wages and earned paid sick time paid to all employees for a period of four years.
- Paychecks, or attachments, must report the available and used PST.
- Employees need not find replacements to cover shifts when using PST.
- Employees are protected from retaliation for using PST.

**Situations for employee use of PST:**

- **Mental or physical illness, injury or health condition, preventative medical care**
- **Care for a family member who has a mental or physical illness**
- **Public health emergencies**
- **Domestic violence issues**

**Existing PTO Policies:**

Employers with existing paid time off (PTO) policies that meet or exceed the benefits provided under the PST law are “not required to provide additional paid sick time.” However, any existing PTO or Paid Sick Leave policy which provides fewer benefits than this new law should be amended to reflect that the new PST policy supersedes the company’s current policy for its Arizona employees.

It may be necessary for employers to have two policies (PTO and PST), rather than combining them. For now, it is recommended that employers wait until March or April of 2017 to draft more specific policies, because the Industrial Commission of Arizona will likely provide some more guidance on the new law that may affect company policy choices.

**Penalties:**

Employers who violate the PST law may face civil penalties of at least \$250 for a first violation, or at least \$1,000 for each subsequent or willful violation and must also pay affected employees the balance of PST owed, with interest and liquidated damages. Penalties increase in cases of retaliation against employees.

*The information provided in this document represents a summary of the new law and is not meant to be comprehensive. For more information about how this law may affect you, please contact us directly.*