2027 Minimum Wage Raise Planner

A short guide to pricing the January 2027 minimum wage raise before it hits your payroll.

> **Who this is for:** small businesses with hourly staff (cafes, restaurants, salons, shops, cleaners) in states where the minimum wage changes on January 1, 2027.

What is inside the kit

File / tab	What it does
Raise Calculator	3 yellow inputs → your extra payroll cost per year, per month, and the price change that covers it
Staff List	25 rows: each employee's new rate, raise and yearly extra cost (overtime included)
Salary Check	Are salaried, overtime-exempt staff still above the federal and state salary line?
Scenarios	3 worked examples: California cafe, New Jersey tipped staff, Washington overtime + gap
Rate Lookup	2027 rates checked on official sites for Federal, CA, WA, NJ and NY
Action Checklist	11 to-dos from November to January
This PDF guide	How to use it, the math, tricky cases, timeline and sources

How to use it in 3 steps

1

Type your new rate

Raise Calculator: new minimum, start date, payroll tax %.

2

List hourly staff

Staff List: current rate, hours per week, tipped Y/N.

3

Read the green answer

Yearly and monthly extra cost, raises, price change.

All employees, rates and hours already filled in are EXAMPLES. Replace them with your own.

Built by a US tax and bookkeeping practice with 20+ years of bookkeeping experience. Privacy: use roles or first names only. Never type SSNs, bank numbers or passwords into the workbook.

2027 rates checked on official sites (as of 11/15/2026)

Area	2027 $/hr	Starts	Tipped cash wage	Exempt salary / year
Federal floor (FLSA)	$7.25	In effect	$2.13 (tip credit $5.12)	$35,568 ($684/week)
California	$17.40	01/01/2027	No tip credit	$72,384
Washington, 51+ employees	$17.73	01/01/2027	No tip credit	$92,196
Washington, 50 or fewer	$17.73	01/01/2027	No tip credit	$82,976.40
New Jersey, most employers	$16.48	01/01/2027	$6.61 (tip credit $9.87)	Check state rule
New Jersey, fewer than 6 / seasonal	$16.25	01/01/2027	See state notice	Check state rule
New York: NYC, Long Island, Westchester	$17.00	No change 01/01	See state wage order	Check state rule
New York: rest of state	$16.00	No change 01/01	See state wage order	Check state rule

New York: the state says the minimum wage will not get an inflation increase on 01/01/2027. A proposal would raise it to $17.60 / $16.55 on 03/01/2027 **only if the Legislature approves**. Do not budget it as final.

How to confirm your own rate

1. Search your **state labor department** for its "2027 minimum wage" notice.
2. Then check your **city and county**. Some cities set higher local rates (for example Seattle and several other Washington cities).
3. Use the **highest** rate that applies to your work location. Type it into the yellow box on Raise Calculator.
4. If you have tipped staff, check whether your state allows a tip credit. California and Washington do not.

Rates change every year. The Rate Lookup tab shows the date it was checked. Always re-check before you change payroll.

Worked example: a California cafe (example numbers)

New minimum $17.40 from 01/01/2027. Old minimum $16.90. The owner keeps a $0.50 gap for staff who were already above minimum. Employer payroll tax 7.65% (Social Security 6.2% + Medicare 1.45%).

Employee	Now	Hrs/wk	New	Raise	Paid hrs	Extra wages/yr	+7.65% tax
Barista A	$16.90	30	$17.40	$0.50	30.0	$780.00	$839.67
Barista B	$16.90	25	$17.40	$0.50	25.0	$650.00	$699.73
Cook	$18.00	40	$18.00	$0.00	40.0	$0.00	$0.00
Shift lead	$17.25	45	$17.90	$0.65	47.5	$1,605.50	$1,728.32
Cashier	$17.00	20	$17.90	$0.90	20.0	$936.00	$1,007.60
Dishwasher	$16.90	35	$17.40	$0.50	35.0	$910.00	$979.62
Total						**$4,881.50**	**$5,254.93**

The formulas (type them in any spreadsheet)

```
New rate = MAX(current rate, new minimum, gap target)
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```
Gap target = new minimum + gap (only if current rate > old minimum)
```

```
Paid hours = MIN(hours, 40) + 1.5 × MAX(hours − 40, 0)
```

```
Extra/yr = (new rate − current rate) × paid hours × 52 × (1 + 7.65%)
```

Result: **$5,254.93 a year**, about **$438 a month**. With $600,000 in yearly sales, prices would need to rise about **0.88%** to cover it ($5,254.93 ÷ $600,000).

> The Cook earns $18.00, already above the $17.90 gap target, so there is no change. The Shift lead works 45 hours, so 5 overtime hours count 1.5×: 40 + 7.5 = 47.5 paid hours.

Real-world cases the calculator handles (and how)

1. Tipped employees (tip-credit states only)

In states that allow a tip credit, you pay a cash wage and tips make up the rest. New Jersey 2027: cash wage $6.61 + max tip credit $9.87 = $16.48. Type $6.61 in "Tipped cash wage" and mark the server **Y**. If cash wage + tips fall short of the full minimum in a week, you must pay the difference. California and Washington allow **no** tip credit: tipped staff get the full minimum. Leave the box blank there.

2. Overtime

Hours over 40 in a workweek count 1.5×, so a raise costs more for long-hour staff. Some states (for example California) also require daily overtime; add those hours to the weekly figure as extra paid hours if they apply. For tipped staff on a tip credit, overtime is an estimate.

3. Wage compression (the "gap")

If a $17.25 shift lead suddenly earns about the same as a new hire, morale drops. The optional gap keeps staff who were above the old minimum at least $X above the new one. Set it to $0 to raise only those below the new minimum.

4. Rate starts mid-year

Change the start date. "From start date to Dec 31" shows only the part of the year at the new rate. Example: a 03/01/2027 start covers 306 of 365 days (83.8%).

5. Pay period that spans December 31

Pay hours worked on or after the start date at the new rate, even if the paycheck covers late December too. Split the period in payroll.

6. Salaried "exempt" staff

Many states tie the exempt salary to the minimum wage. California: $17.40 × 2 × 2,080 = $72,384. A $70,000 manager falls short by $2,384 and must get a raise or be paid hourly with overtime. Use the Salary Check tab.

7. Local rate higher than the state rate

Always use the highest rate for the place the work is done.

8. Payroll tax extras

The 7.65% covers Social Security and Medicare. Add your state unemployment and workers' comp rates in the optional box if you know them.

Timeline

When	What to do
Mid-November	Confirm state and city rate; list hourly staff; decide your gap policy
Early December	Run Salary Check; decide on price or menu changes; update your 2027 budget
Late December	Enter new rates in payroll effective the start date; update tipped notices
January 1, 2027	New rates start in CA, WA and NJ; post the new required workplace posters
First January payday	Check each paycheck line by line; keep a dated record of the new rates

Common mistakes

- Using the state rate when the city rate is higher.
- Forgetting overtime hours, which cost 1.5× the raise.
- Forgetting the employer's 7.65% payroll tax on the extra wages.
- Paying late-December hours at the new rate (or January hours at the old rate) in a split pay period.
- Leaving salaried managers below the new exempt salary line.
- Assuming a proposed increase (like New York's March 2027 proposal) is final.
- Raising only minimum-wage staff and creating pay compression for experienced staff.

Quick checklist

- ☐ State AND city rate confirmed on an official site
- ☐ Every hourly employee entered
- ☐ Tipped Y/N set; tip credit allowed?
- ☐ Gap policy decided
- ☐ Salaried staff checked
- ☐ Payroll updated for the start date
- ☐ Prices and budget reviewed
- ☐ First January paycheck checked

Official sources used (checked 11/15/2026)

- California DIR News Release 2026-66: $17.40 from 01/01/2027; exempt salary $72,384 — dir.ca.gov/DIRNews/2026/2026-66.html
- California DLSE Minimum Wage FAQ: tips cannot be credited toward minimum wage — dir.ca.gov/dlse/faq_minimumwage.htm
- Washington L&I News Release 26-17: $17.73 from 01/01/2027; exempt salary thresholds — lni.wa.gov/news-events/article/26-17
- New Jersey Dept. of Labor press release 09/29/2026: $16.48, $16.25, tipped cash wage $6.61, tip credit $9.87 — nj.gov/labor
- New York State: minimum wage for 2027 — governor.ny.gov/new-york-state-minimum-wage-2027
- US DOL Fact Sheet #15 (tipped employees): $7.25, $2.13, $5.12 — dol.gov/agencies/whd/fact-sheets/15-tipped-employees-flsa
- US DOL salary levels for the EAP exemption: $684/week — dol.gov/agencies/whd/overtime/salary-levels
- IRS Publication 15 (2026): Social Security 6.2% and Medicare 1.45% each for employer and employee — irs.gov/publications/p15

Important

> This kit is an educational planning tool. It is **not tax, legal or payroll advice** and does not guarantee any result. Minimum wage, tip credit and exemption rules vary by state, city and industry and change often. Confirm every rate with the official agency for your work location, and consult a qualified professional for your situation.

Not covered: union contracts, industry-specific minimums (for example health care or fast food rules), daily overtime details, benefits, and local leave laws.

Privacy: the workbook needs no SSNs, bank numbers or passwords. Use roles or first names only.

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Built by a US tax and bookkeeping practice with 20+ years of bookkeeping experience. Designed with AI assistance and reviewed for accuracy.