

California

California's Minimum Wage Rate to Increase on Jan. 1, 2027

On July 31, 2026, the California Department of Finance (the Department) [announced](#) that the state's hourly minimum wage will increase to **\$17.40 per hour** on **Jan. 1, 2027**. The new rate will apply to all employers, regardless of how many individuals they employ.

California's Minimum Wage Rate

California's minimum wage rate is adjusted annually to account for inflation. The Department must publish new rates on or before Aug. 1 of each year. Based on the U.S. consumer price index for the 12-month period from July 1, 2025, to June 30, 2026, the Department has determined that California's minimum wage must increase by 2.99% to \$17.40 per hour on Jan. 1, 2027.

Overtime Exemption Threshold

The state minimum wage rate also determines the salary requirements for exempt executive, administrative and professional (EAP) employees. Under Labor Code Section 515(a), EAP employees qualify for an overtime exemption if, among other things, they "earn a monthly salary equivalent to no less than two times the state minimum wage for full-time employment." As a result, beginning Jan. 1, 2027, these employees must receive an annual salary of **at least \$72,384** (\$6,032 monthly).

Fast-food and Healthcare Employees' Minimum Wage Rate

Employers should also be aware that California sets a higher minimum wage rate for fast-food restaurant employees and certain healthcare employees. Fast-food restaurant employees must be paid at least \$20 per hour, while the minimum wage rate for healthcare workers differs based on the healthcare facility type, number of employees and associations.

Next Steps for Employers

California employers should update their payroll processes and procedures to comply with the new minimum wage rate by Jan. 1, 2027. Employers should also account for local ordinances establishing higher minimum wage rates for employees. However, higher local ordinance rates do not affect the state salary requirements for the EAP overtime pay exemption.

Highlights

July 31, 2026

California announced a \$17.40 minimum wage rate for 2027.

Jan. 1, 2027

The new state minimum wage rate will go into effect.