Legal Update

Arizona

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

On Sept. 25, 2026, the Industrial Commission of Arizona (ICA) announced that the state's minimum wage rate will increase to **$15.65 per hour** on **Jan. 1, 2027**.

Arizona's Minimum Wage Rate

Arizona's minimum wage rate is adjusted annually to account for inflation. Based on the federal Bureau of Labor Statistics' Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the 12-month period from August 2025 to August 2026, the ICA has determined that Arizona's minimum wage must increase by 3.4% to $15.65 per hour on Jan. 1, 2027.

Tipped Employees

In addition, the minimum wage for tipped employees will increase to **$12.65 per hour**. Arizona allows employers to pay tipped employees up to $3 per hour less than the state's minimum wage if the employer can establish by its records of charged tips or by the employee's declaration that they received not less than the minimum wage for all hours worked when adding tips received to wages paid. A tipped employee is an employee who customarily and regularly receives tips.

Next Steps for Employers

Arizona employers should update their payroll processes and procedures to comply with the new minimum wage rate by Jan. 1, 2027. Employers operating in Flagstaff and Tucson should also account for local ordinances establishing higher minimum wage rates for employees. In addition, employers should use ICA's updated minimum wage poster by Jan. 1, 2027.

Highlights

Sept. 25, 2026
Arizona announced a minimum wage rate of $15.65 per hour for 2027.

Jan. 1, 2027
The new state minimum wage rate will go into effect.

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