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New Iowa Minimum Wage Takes Effect

Workers Receive Pay Increase Sunday; Other Policy Options Also Could Help

MOUNT VERNON, Iowa (March 31, 2007) – On Sunday, Iowa becomes the 29th state with a state minimum wage higher than the federal level.

“This increase is long overdue for low-income families in Iowa,” said David Osterberg, executive director of the nonpartisan Iowa Policy Project. “The wage has remained at \$5.15 for almost 10 years — and remains there at the federal level.

“Iowa lawmakers and the governor have given low-wage workers a chance to make ends meet. As our research has shown, Iowa’s new minimum wage will ultimately help 257,000 workers and their families build better lives.”

The law passed this year in the Legislature and signed by Gov. Chet Culver increases the wage by \$2.10 in two steps, to \$6.20 on Sunday, and to \$7.25 on Jan. 1, 2008.

“We kept hearing that Iowa should wait for Congress to act,” Osterberg said. “Well, we’re still waiting for Congress and we still don’t know when the federal law will change.”

Iowa joins Illinois, Wisconsin, Minnesota and Missouri among states with a minimum wage above the federal \$5.15.

IPP Research Associate Elaine Ditsler noted other state policies “could help families cope with higher costs of living.”

“First among them is an expansion of the state’s Earned Income Tax Credit,” she said.

In Iowa, 168,000 households benefit from the federal Earned Income Tax Credit (EITC), but almost half do not claim the state credit, which is 6.5 percent of the federal. The federal credit, unlike the state credit, is refundable and provides the full benefit of the credit to taxpayers who qualify. Filers receive a check for the balance if their tax obligation is not as big as the federal credit, but not for the state credit.

“Making the state credit refundable would reach more families,” Ditsler said, noting there are proposals in the House and Senate for an expanded and refundable state EITC.

The Iowa Policy Project (IPP) is a nonpartisan, nonprofit research and policy analysis organization based in Mount Vernon.

See the July 2006 IPP report, “A Pay Raise for Iowa? Falling Behind at the Minimum Wage,” at <<http://www.iowapolicyproject.org/2006docs/060719-minwage-w.pdf>>. Other IPP reports about the minimum wage and the EITC are available at the IPP website <<http://www.iowapolicyproject.org>>.