

# Getting Started with AZ Paid Sick Leave

## What's Proposition 206?

Proposition 206, the Fair Wages and Healthy Families Act, was a ballot initiative approved by Arizona voters on November 8, 2016. The Act entitles employees to accrue earned paid sick time **beginning July 1, 2017** and requires employers to provide employees with their paid sick time information in, or on an attachment to, the employees' regular paycheck.

- Employers subject to the Act include any corporation, proprietorship, partnership, joint venture, limited liability company, trust, association, political subdivision of the State, individual or other acting directly or indirectly in the interest of an employer in relation to an employee.
- The Act does not provide an exemption for "small businesses" (< \$500,000 in gross annual revenue). Therefore, even "small businesses" that are exempt from Arizona's minimum wage requirements are subject to the Act's earned paid sick time requirements. However, they are exempt from posting the requirements in their place of business.

## Notification and Reporting Requirements

The following earned paid sick time information must be included in, or on an attachment to, the employee's regular paper or electronic paycheck. The amount of:

- Earned paid sick time available to the employee.
- Earned paid sick time taken by the employee to date in the year.
- Pay the employee has received as earned paid sick time.

Employers must give employees written notice concerning earned paid sick time rights and responsibilities by the first day of employment or by July 1, 2017, whichever is later.

## Accrual Rules

Employees are entitled to earned paid sick time and accrue a minimum of one hour of earned paid sick time for every 30 hours worked, subject to the following limitations:

- Employees whose employers have less than 15 employees may only accrue or use 24 hours of earned paid sick time per year, unless the employer sets a higher limit.
- Employees whose employers have 15 or more employees may only accrue or use 40 hours of earned paid sick time per year, unless the employer sets a higher limit.

An employer determines how many employees it has for purposes of the earned paid sick time laws by counting all full-time, part-time, and temporary employees.

- If an employer's employee count fluctuates above and below 15 employees per week over the course of the year but the employer maintained 15 or more employees on the payroll for some portion of a day in each of 20 different consecutive or non-consecutive calendar weeks in the current or preceding year, the employees shall accrue earned paid sick time as if the employer maintained 15 or more employees for the entire year.

All employees shall accrue earned paid sick time as follows:

- Accrual shall begin from the first day of employment or July 1, 2017, whichever is later.
- FLSA overtime exempt employees shall accrue earned paid sick time on the presumption they work 40 hours per week, unless the employer's normal work week is less than 40 hours.
- Unused earned paid sick time must be carried over to the following year unless an employer elects to pay the employee for unused earned paid sick time at the end of the year and provides the employee with a year's worth of immediately useable earned paid sick time at the beginning of the following year.

- An employee retains all accrued earned paid sick time already accrued at the prior division, entity, or location if an employee is relocated or transferred within the same company.
- An employee that is separated from employment and rehired within 9 months of the separation from the same employer, any unused previously-accrued earned paid sick time must be reinstated and the employee is entitled to use and accrue earned paid sick time immediately upon being rehired.
- Employees of a predecessor (existing) employer who continue to be employed by the successor employer are entitled to use sick time that was previously accrued.

## Industry commission recommendations

When an employee's hourly pay rate varies (based on task performed or otherwise) Employers pay an hourly wage rate for earned paid sick time that is based on:

1. Actual wages the employee would have been paid, if known, for the period of time in which sick time is used; or
2. The average hourly rate of all wages paid during the previous 90 days.

## Wages for commissioned employees

- Employers pay an hourly wage rate for earned paid sick time that is based on the average hourly rate for all wages (including commissions) paid during the previous 90 days.

## You set up a sick leave plan for your company

Follow these instructions, if you want to set up a sick plan for your company without Accruals. You must make sure that the sick earning is set up for the company.

**Tip:** In order to determine eligibility, you can use the PTO report to list employee's Hire Date and PTO sick plans.

**Starting Point:** **Company > Paid Time Off**

1. Under the PTO Plan, click the check box next to the Sick plan that you want to set up, such as **Sick** or **Sick 2**.

For example, you may need to keep an existing Sick plan for employees working in New Jersey (Sick) and add a new sick plan for employees working in Arizona (Sick 2).

2. Set up a Sick or Sick 2 plan by selecting **Allowed and Taken** in the Accrual Method field. If you select Allowed and Taken, the **Clear Balances at Year End** slider is automatically turned on.
3. Click the slider to turn off **Clear Balances at Year End**, if you want to allow carry over hours using the frontloading option. **Tip:** When the space in the slider control is green, the feature is turned on and when it's gray it's turned off.

## You set up a sick leave plan for your employee

**Before You Begin:** To set up a paid time off (PTO) plan for an employee, you must first set up the plan for your company.

**Starting Point:** **Employees > Directory**

1. Click the employee to open the Employee Info page.
2. In the left menu, click **Payroll > Paid Time Off**.
3. Click the check box next to **Sick**.
4. In the **Available** field, enter **24**. (In this example, 24 is the *minimum* amount of sick hours that you can pay your employees and comply with this law).
5. In the **Taken** field, enter the amount of sick hours that your employee has taken to date, prior to setting up your plan.
6. For Accrual Type, **Do Not Accrue** is automatically selected.

## FAQs

For more information about hourly wages, employee exemptions and other frequently asked questions, go to <https://www.azica.gov/frequently-asked-questions-about-wage-and-earned-paid-sick-time-laws>.