



# Colorado's New Wage Law Packs a Bigger Penalty Punch: 6 Things Employers Need to Know

Insights

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Employers in Colorado could face steep penalties for wage and hour violations under a new law that takes effect today. They also risk losing their license to operate if willful violations are not remedied. To avoid running afoul of the new law's aggressive enforcement provisions, employers need to be strategic and timely when assessing wage demands. Here are the top six things you should know about HB25-1001 – which amends the Colorado Wage Act – and key compliance steps you should consider taking now.

## 1. Publicized Violations

The new law requires the Division of Labor Standards and Statistics to determine if violations of the Colorado Wage Act are willful. For each violation, the Director must publish the employer's name on the Division's website, which will likely encourage early resolution even when underlying claims are not made in good faith. The Director is also required to report any employer found to have engaged in a willful violation of the act to the relevant authorities with the power to deny, withdraw, or otherwise limit or impose remedial conditions on an employer's license, permit, registration or other credential necessary for the lawful operation of the employer's business.

## 2. Steep Misclassification Penalties

The law imposes steep penalties on employers found to have misclassified employees as independent contractors in a way that may affect wage and hour payments or reporting obligations. The penalties are as follows, in addition to any other relief ordered by the applicable authorities:

- \$5,000 for a willful violation;
- \$10,000 for a violation not remedied within 60 days after the Division's finding;
- \$25,000 for a second or subsequent willful violation within five years; or
- \$50,000 for a second or subsequent willful violation not remedied within 60 days after the Division's finding.

These penalties may be increased by the Director by January 1, 2028, and then every other January 1 based on changes to the consumer price index.

### 3. Higher Wage Claim Threshold

The Division is currently authorized to hear wage claims of \$7,500 or less – but the threshold will be rising to \$13,000 on July 1, 2026. As a result, employers can expect the Division to handle more wage claims moving forward.

### 4. Broader Local Authority

The law also prohibits employers from making payroll deductions that reduce a worker's pay below the applicable state and local minimum wage, as opposed to the federal minimum wage. Notably, cities and counties are authorized to make and enforce their own wage and hour laws, as long as they do not diminish legal protections or benefits provided to employees.

### 5. Expanded Definition of Employer

The law expands the current Wage Act definition of “employer” to include individuals who own or control at least 25% of the ownership interest in an employer. HB25-1001 makes no other definitional changes.

### 6. Waiver of Penalties

Despite these changes, the law provides a potential bright spot for employers by authorizing the Director to waive the penalty for failing to pay claimed wages. The Colorado Wage Act currently penalizes employers for failing to pay wages or compensation within 14 days after receiving a written demand or notice of a wage action or claim. The law allows the Director to waive this penalty if an employer pays all claimed wages or compensation within 14 days after an administrative claim is sent or served. Note that the Director is not authorized to waive penalties if the alleged violation is a second or subsequent failure to pay wages or compensation within five years.

### Compliance Tips

Colorado employers should consider taking the following steps to ensure compliance with the new law:

- **Consult with labor and employment counsel** and take a conservative approach to employee classification and other wage issues.
- **Be proactive.** The steep penalties and possible revocation of business credentials require a careful approach to avoiding violations of the Colorado Wage Act, particularly violations that the Director could deem “willful,” thereby exposing employers to even harsher penalties.
- **Document wage and employee classification determinations** to reduce the risk of being found in willful violation of the act.

- If in doubt, **consult with counsel prior to making payroll deductions** that could run afoul of the applicable minimum wage requirements.
- **Monitor wage and hour law developments in applicable cities and counties**, as there could be an uptick in new local wage and hour laws.
- **Track additional workplace law developments.** HB25-1001 is just one of several bills from this spring's legislative sessions with implications for employers.

## Conclusion

For more information or assistance in taking the actions described above, contact your Fisher Phillips attorney, the authors of this Insight, or any attorney in our Denver office. Make sure you are subscribed to Fisher Phillips' Insight System to receive the most up-to-date information directly to your inbox.

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