



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

**Department of Labor
and Workforce
Development**

Labor Standards and Safety
Wage and Hour

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Dear Employer,

The Alaska Department of Labor and Workforce Development, Wage and Hour is responding to an increase in complaints concerning misclassification of employees as independent contractors in the salon industry. For the purpose of education, this letter is being sent as an industry-wide notice to address multiple issues that appear to be subject to widespread misunderstanding throughout the industry. Among the issues that have been the focus of questions, complaints and subsequent enforcement activities are:

- The implementation of statutorily required paid sick leave following the passage of Ballot Measure 1 in the 2024 general election and subsequent new regulation adopted in 2025;
- The absence of written hiring agreements between the employer and the employee;
- Changes to the rate of pay without the required written notice;
- Payment of wages and overtime inconsistent with the *Alaska Wage and Hour Act*;
- Nonpayment of wages for all hours worked;
- Insufficient or non-existent records of all daily and weekly hours worked by every employee;
- Employees being incorrectly classified as independent contractors or volunteers;
- Employees subjected to unlawful deductions from wages, the withholding of paychecks, or who are being compelled to reimburse employers without written authorization.

We will address each of these issues in this letter and we are always available to discuss any follow-up questions you may have.

Paid Sick Leave

Following the passage of Ballot Measure 1 in the 2024 General Election, Alaska has adopted laws guaranteeing paid sick leave to most employees. Alaska's paid sick leave laws went into effect on July 1, 2025. All covered employees will accrue sick leave at the same rate, 1 hour per every 30 hours worked. These hours worked are cumulative. The hours counted for salary-exempt employees may be limited to 40 hours per week.

The amount of paid sick leave that can be accrued and used in a year is capped depending on the number of employees an employer has. While accrual and usage are capped, the sick leave balance is not capped. Unused sick leave must be carried forward into the next year.

Employers who have existing paid time off programs need to review their policies to assure they meet the minimum standards established by the new law. Employers are free to offer a more generous plan to their employees if they choose.

Employers are prohibited from interfering with, restraining, or denying the use of paid sick leave. They cannot require employees to find coverage for missed shifts or take adverse actions against employees for the usage of paid sick leave. Documented verification of the need for paid sick leave, such as a doctor's note, can only be requested for paid sick leave usage of more than three consecutive workdays and must comply with statutory requirements.¹

The Department has published frequently asked questions to aid with the understanding of Alaska's new sick leave laws and has provided a link to the ballot measure language. These can be found at: <https://labor.alaska.gov/lss/sick-leave-faq.html>.

Written Hiring Agreements and Changes in the Rate of Pay

Under Alaska Labor Law, employers must provide all employees with a written hiring agreement. This must include their rate of pay, where they receive payment, and the established payday which cannot occur less frequently than once per month (i.e. daily, weekly, bi-weekly, or monthly). Any time the employer elects to make a change, they must provide the employee with written notification of the change no later than on the payday before the time of change. The change cannot be made in the middle of a pay period and cannot be retroactive.²

Accurate Record of Hours Worked

An employer shall keep an accurate record of all the daily and weekly hours worked by each employee.³ This recordkeeping requirement applies to all employees regardless of how they are compensated or how they are classified to include salary-exempt employees. A mere record of hours scheduled may not be sufficient to account for all the hours actually worked by the employee. As a best practice, employees should also keep a record of hours separately from their employer's so they can check the employer's accounting for accuracy at the time of payment.

¹ AS 23.10.067

² AS 23.05.160

³ AS 23.05.080

The time worked may also include, but is not limited to, time spent preparing to deliver services to the recipient and time spent on post-provision duties (such as preparing records or cleaning at the end of the shift, travelling between facilities, doctor's appointments for clients, trips to the store to purchase items for the assisted living home, etc.). The burden to keep hours is borne by the employer under statute. Requiring an employee to keep a timesheet does not absolve an employer of this responsibility.

Minimum Wage and Overtime

Except as otherwise provided for in law, an employer shall pay to each employee a minimum wage, for all hours worked in a pay period, whether the work is measured by time, piece, commission or otherwise.

The current Alaska minimum wage is \$13.00 per hour as of July 1, 2025. The minimum wage will increase to \$14.00 on July 1, 2026 and \$15.00 on July 1, 2027, due to the passage of Ballot Measure 1 in 2024. Alaska's minimum wage will return to annual adjustment using the Consumer Price Index for the previous calendar year on January 1, 2028. Ballot Measure 1 only changes the minimum wage rate; it does not change to whom the minimum wage applies.

Barring any allowable exemptions, an employee who works over 8 hours in a workday and/or more than 40 straight-time hours in a workweek must be paid 1.5 times their regular rate of pay⁴ (this requirement of the law is referred to as "overtime"⁵). Furthermore, if an employee is paid multiple rates of pay the overtime is to be calculated by using a weighted average formula unless there is an established agreement to pay overtime at 1.5 times the rate of pay for the type of work being performed during the overtime hours.⁶

Time spent working is compensable time, even if an employee's license or other certifications have lapsed. If the work is directed by or allowed by the employer or if the employer has reason to suspect that the employee worked, the time spent working is compensable.⁷ This principal is referred to as work "suffered or permitted" by the employer and extends to work performed by employees staying late, arriving early, or performing work at home. It is the duty of management to exercise control and ensure that work is not performed if it does not want it to be performed. An accurate record of all daily and weekly hours worked must be kept, and most importantly, the employee must be paid correctly for all these hours.

Commission

Alaska law does not require a commissioned employee to be paid a base wage in addition to their commission; however, an employee paid by commission must receive at least the equivalent of Alaska's minimum wage for each hour worked in a pay period.

Unless otherwise exempt, an employee is to be paid overtime for any hours worked in excess of 8 hours in a day and 40 straight time hours in a week. The average hourly rate, not less than the state minimum wage, is the basis for the calculation of overtime and must include all wages earned in the week.

⁴ 8 AAC 15.100

⁵ AS 23.10.060

⁶ 29 CFR §778.419

⁷ 29 CFR §785.11

To be clear, the minimum wage is calculated for the pay period, whereas overtime is calculated weekly.

Deductions

An employer and employee may enter into a written agreement to provide for deductions of monetary obligations of an employee. An employer may not require compensation from an employee to which they are entitled through force, intimidation, or threat of dismissal from employment, or any other manner. A written agreement for deductions is not valid if it would reduce the employee's wage rate below the statutory minimum wage and overtime rates.

An employer may not deduct from an employee's wages any of the following:

- Customer checks returned due to insufficient funds or any other reason,
- Non-payment for goods or services as a result of theft or credit default,
- Cash or cash register shortages, unless the employee admits willingly and in writing to having personally taken the specific amount of cash that is alleged to be missing,
- Lost, missing, or stolen property, unless the employee admits willingly and in writing to having personally taken the specific property alleged to be lost, missing or stolen,
- Damage or breakage costs, unless clearly due to willful conduct of the employee and the employee has acknowledged responsibility in writing.

An employer shall give each employee a written or electronic statement of earnings and deductions for each period. The statement of earnings and deductions must contain the employees:

- Rate of pay;
- Gross wages;
- Net wages;
- Beginning and end dates of the pay period;
- Federal income tax deductions;
- Federal Insurance Contribution Act deductions;
- Alaska Employment Security Act contributions;
- Board and lodging costs;
- Advances;
- Straight time and overtime hours actually worked in the pay period;
- Other authorized deductions;
- Sick leave used in the accrual year established under 8 AAC 15.107; and
- Sick leave balance.⁸

Salary

Payment on a salary basis does not eliminate overtime requirements. Individuals receiving payment on a non-exempt salary basis must be paid in a manner consistent with

⁸ 8 AAC 15.160

the minimum wage and overtime requirements of the *Alaska Wage and Hour Act*.

Technicians are not specifically exempt from overtime requirements and must be paid 1.5 hours for work performed in excess of 8 hours per day and 40 straight-time hours in a work week.

Payment on a salary basis does not eliminate overtime pay obligations. If a fixed and recurring pay rate (salary) has been established, the applicable compensation basis must be converted to an hourly rate when determining the regular rate for computing overtime compensation and a written contract must be provided showing the hourly rate, the overtime rate, and the fixed number of hours worked each week to arrive at the specified, fixed salary amount. If the contract fails to establish a fixed number of daily and weekly hours that the salary is intended to compensate, or if the actual hours of work deviate from the hours specified in the contract without a corresponding adjustment in hourly pay, the salary will be considered to be compensation for an 8 hour workday and 40 hour workweek, and overtime will be computed on that basis.⁹

To be properly classified as a salary exempt employee, an employee must meet a three-part test. First, they must be paid on a salary basis. This means they are paid a fixed rate regardless of hours worked with limited exception. Second, they must be paid the minimum salary level which is set at two times the minimum wage for a 40-hour workweek. This is currently \$1,040/week and will increase to \$1,120/week on July 1, 2026, and \$1,200/week on July 1, 2027. Third, the employee must meet the duties test by performing work that falls into an approved category of executive, administrative, professional, computer, or outside sales employee. To determine if an employee qualifies as a salary-exempt employee consult the *Code of Federal Regulations 29 C.F.R. §541*, *Alaska Statute 23.10.055*, and *Alaska Administrative Code 8 AAC 15.908*, or contact the Wage and Hour office for additional information.

Independent Contractor, Volunteer, or Employee?

Frequent calls to Wage and Hour have also raised the issue of workers being classified as independent contractors rather than employees. When determining whether or not the relationship between the business and the alleged employee is subject to the *Alaska Wage and Hour Act* and the *Fair Labor Standards Act* (FLSA), it must be determined “whether the worker is dependent upon finding employment in the business of others. If the facts show such a dependency, the worker is an employee.”¹⁰ Employers are encouraged to review the factors established by the Alaska Supreme Court (see footnote #10). In general, workers should be treated as employees to avoid issues with agencies such as Wage and Hour, Workers’ Compensation, Unemployment Insurance taxes, and IRS taxes, unless the alleged employer can clearly demonstrate that a worker is an independent contractor. The mere possession of an Alaska business license, the provision of an IRS 1099 form, or simply calling someone an independent contractor is not enough to substantiate independent contractor status.

With regard to volunteers, a for-profit business is barred from using volunteer labor.¹¹

Note: It is rare that a nail technician working at an establishment operated by someone else would be an independent contractor. The mere possession of an Alaska business license, the

⁹ 8 AAC 15.100

¹⁰ *Jeffcoat v. State, Dept. of Labor*, Sup. Ct. Op. No. 3162 (File No. S-1444), 732 P2d 1073 (1987)

¹¹ AS 23.10.055(6)

provision of an IRS 1099 form, or simply calling someone an independent contractor is not enough to substantiate independent contractor status.

Final Paycheck

If the employment is terminated by the employee, payment is due at the next regular payday that is at least three days after the employer received notice of the employee's termination of services. If employment is terminated by the employer, regardless of the cause for the termination, payment is due within three working days after the termination.¹² The day of firing, weekends, and bank or state holidays, are not included in these three days. If an employer violates this statute, the employer may be required to pay the employee a penalty in the amount of the employee's regular wage, salary or other compensation from the time of demand to the time of payment, or for 90 working days, whichever is the lesser amount.

Workers' Compensation Coverage

Any business operating in Alaska with even one part-time employee is required to carry workers' compensation insurance under Alaska Statute 23.30.075. The policy must be bound in the State of Alaska; Alaska is not a reciprocal state and does not recognize coverage bound in any other state or country, even if the policy purports to cover an injury occurring in Alaska. There is no exemption for family members or friends for purposes of workers' compensation liability.

Employee status is determined using the independent contractor definition found in Alaska Statute 23.30.230(a)(12). The criteria in this definition are all-inclusive. Penalties for not having workers' compensation coverage are severe. It is a crime under the *Alaska Workers' Compensation Act* for employers to misclassify employees or deduct all or any portion of workers' compensation premiums from an employee's paycheck. If you have questions regarding workers' compensation requirements, please download and review the Employer's Guide to the *Alaska Workers' Compensation Act* at https://labor.alaska.gov/wc/publications/employer_guide_to_wc_act.pdf or contact the Alaska Division of Workers' Compensation at (907) 269-4980.

Unemployment Insurance Coverage

An employer misclassifying a worker as an independent contractor instead of an employee may be liable for penalties and interest for failure to report the worker and pay associated taxes. If you have questions regarding unemployment tax requirements, please contact Employment Security Tax at (888) 448-3527.

Resources

In conclusion, a business that is involved in practices that are not consistent with Alaska wage and hour laws must correct the discrepancies immediately to avoid future enforcement actions. We hope that your organization will take this opportunity to conduct an internal review and voluntarily make any wage adjustments. We have noted several applicable statutes and regulations for your review. Employers are encouraged to conduct a complete review of Alaska's wage and hour laws and regulations as published in the *Pamphlet 100* publication, which can be found at: <https://labor.alaska.gov/lss/forms/pam100.pdf>. Our website can be found at: <https://labor.alaska.gov/lss/whhome.htm>.

¹² AS 23.05.140

Wage and Hour provides a cost-free counseling service to Alaska employers, and we invite you to take advantage of this service. A regular, monthly webinar is offered to employers and employees concerning wage and hour laws. Check our website for the webinar schedule and contact our office at (907) 269-4900 for registration. In addition, an investigator is on duty each business day to answer any questions you may have.

Alternatively, you may wish to contact a private attorney. The Alaska Lawyer Referral Service may be able to assist you with locating an attorney to address your specific concerns. You may contact this office at 1-800-770-9999 or visit the following website for additional information: <https://www.alaskabar.org>.