



LEGISLATIVE POSITION:

Unfavorable

Senate Bill 803

Labor and Employment – Payment of Minimum Wage – Tipped Employees

Senate Finance Committee

Thursday, March 2, 2023

Dear Chairwoman Griffith and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 6,400 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

Senate Bill 803 would reduce and ultimately eliminate the tip credit for tipped employees effective July 1, 2027.

The tip credit was established under the federal Fair Labor Standards Act in 1966 and is allowed under many state and local minimum wage laws. Maryland law allows employers to pay tipped employees a tip wage (cash wage) of at least \$3.63 per hour but under federal, state and local minimum wage laws, employers are required to make up any differences if a tipped employee does not make enough in combined tip wages plus tips to make at least the full applicable minimum wage per hour for the workweek. **Like all Maryland workers, tipped employees must earn at least the full applicable minimum wage per hour.**

As a result of the tip credit and being allowed to collect tips to subsidize their cash wage, tipped employees are among the highest earners in full-service restaurants (earning a median of \$27/hour including tips, according to National Restaurant Association research). Servers at fine-dining restaurants can earn \$40 or more per hour including tips. If Maryland's tip credit was eliminated, as SB 803 would require, **Maryland's full-service restaurants would incur significant increases in labor costs and tipped employees would earn less in wages.**

Further, to make up for the added costs, full-service restaurant employers would impose a 20 to 22 percent service charge on customer checks and would likely pay servers a flat hourly rate.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report** on **SB 803**.