



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

DAWN LUEDTKE
COUNCILMEMBER
DISTRICT 7

February 1, 2024

The Honorable Pamela Beidle
Chair, Finance Committee
3 East
Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 160, *Labor and Employment - Payment of Minimum Wage - Tipped Employees*

Dear Chair Beidle,

I am writing to urge you to oppose Senate Bill 160, which would phase out the tip credit. A similar piece of legislation - Bill 35-23, County Minimum Wage - Tipped Employees¹ - recently came before the Montgomery County Council. The bill sponsor moved to withdraw Bill 35-23 on January 16, 2024,² before its scheduled joint Committee hearing.

I oppose SB160 because Montgomery County's tipped employees and employers overwhelmingly opposed ending the tip credit in our community. In correspondence, conversations, and at the Council's October 24, 2023 public hearing on Bill 35-23, tipped employees expressed the pride they have for the work they do and explicitly rejected the argument that the existing tip credit system marginalizes them.³⁴ None of them expressed any challenges with the existing tipped wage credit or compliance mechanism. Right now, it is illegal for an employer to pay a tipped employee a sub-minimum wage. All tipped employees are guaranteed to earn at least the applicable minimum wage with the current tip credit system. To

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apps.montgomerycountymd.gov/cellims/DownloadFilePage?FileName=2812_1_25245_Bill_35-2023_Introduction_20230919.pdf

2

docs.google.com/gview?url=https%3A%2F%2Fmontgomerycountymd.granicus.com%2FDocumentViewer.php%3Ffile%3Dmontgomerycountymd_0e8e45361968c7a8de1ab531a80bef60.pdf%26view%3D1&embedded=true

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montgomerycountymd.granicus.com/player/clip/16976?view_id=169&redirect=true&h=5eaa8afdd2ff63de9e79d56b3c580248

⁴ www.montgomerycountymd.gov/COUNCIL/OnDemand/testimony/20231017/item7.html

100 MARYLAND AVENUE • ROCKVILLE, MARYLAND 20850
240-777-7860 • Councilmember.Luedtke@montgomerycountymd.gov
www.montgomerycountymd.gov

the extent that any employer is not providing their staff at least the minimum wage with tips included, they are doing so illegally.

The employees we heard from further urged the Council to oppose Bill 35-23 because it would reduce their pay. Employers explained that switching to the proposed compensation model would result in using fewer servers per shift, place additional strain on an industry still recovering from the pandemic, and create higher costs for consumers without yielding a positive financial benefit to employees. These concerns - that phasing out the tip credit would reduce overall earnings and hours - were substantiated by a Council Office of Legislative Oversight Economic Impact Statement that reviewed empirical studies on the impacts of such policies elsewhere.⁵

I was struck not just by the overwhelming nature of tipped employees' opposition to phasing out the tip credit, but by how emphatically they expressed that this would hurt them financially. The intense opposition of these employees needs to be elevated.

I do not doubt the positive intentions of the bill's sponsors in bringing this measure forward, but it is a solution in search of a problem. Policymakers should heed the warnings raised by our tipped wage employees and employers from Montgomery County and vote no on SB160.

Very truly yours,



Dawn Luedtke
Montgomery County Council
District 7

cc: Members of the Finance Committee

⁵ www.montgomerycountymd.gov/OLO/Resources/Files/eis/2023/EIS-Bill35-23.pdf