



House Bill 385

Consumer Protection - Automatic Tip Prompt Screen - Requirements

January 28, 2025

Position: **OPPOSE**

Mr. Chairman and Members of the Economic Matters Committee:

The *Restaurant Association of Maryland* opposes House Bill 385 as currently drafted. We have been working with the bill sponsor on amendments to address our concerns.

This legislation requires businesses that use a point-of-sale (POS) system that automatically displays a screen prompting the customer to select an amount for a tip (during the transaction) to conspicuously display on the same screen information disclosing to whom the tip will be allocated.

We have been working on amendment language to address our concerns regarding the potential compliance challenges of including the required disclosure on POS equipment with small display screens. We have also been working on the appropriate language for such a disclosure and tip options.

We are also seeking clarification from the Maryland Department of Labor regarding language in the bill related to the record keeping requirements of §3-424 of the Labor and Employment Article.

As a result of amendments that the Economic Matters Committee adopted in last year's version of this legislation (which is the same language used for this year's bill), potential penalties for violations could be up to \$10,000 for a first offense and up to \$25,000 for subsequent offenses under §13-410 of Title 13. A business's failure to provide the required disclosure as specified would be "*an unfair, abusive, or deceptive trade practice within the meaning of Title 13.*" And the business could be subject to penalties despite distributing all POS tips to employees as customers intended and labor laws already require.

We will continue to work with the sponsor on amendment language to address our concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Melvin R. Thompson", with a long horizontal flourish extending to the right.

Melvin R. Thompson
Senior Vice President
Government Affairs and Public Policy