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HB 385 - Consumer Protection - Automatic Tip Prompt Screen - Requirements

Senate Finance Committee

March 19, 2025

SUPPORT WITH AMENDMENTS

Donna S. Edwards

President

Maryland State and DC AFL-CIO

Madame Chair and members of the Committee, thank you for the opportunity to provide testimony in support of HB 385 if amended. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 300,000 union members in the state of Maryland, I offer the following comments.

Consumers deserve transparency when tipping. HB 385 ensures this at the point of sale by requiring display screens at licensed businesses with tip prompts to show who will be receiving the tips. Consumers should be confident that their voluntary contributions are going to who they were intended for, while workers should not have to worry that their earned compensation is going somewhere else through misleading tip screens or service fees on point of sale systems.

While we support the substantive purpose of the bill, we propose the following amendment that recognizes collective bargaining agreements within the tip default amount:

On page, under section 14-1328, insert the following text on (B)(2):

“A TIP AMOUNT SET AT ZERO BY DEFAULT UNLESS OTHERWISE COVERED BY A COLLECTIVE BARGAINING AGREEMENT.”

The rise in prominence of digital point of sale systems has led to “tipflation” and confusion for consumers.¹ Some digital point of sale companies like Square receive a percentage of every transaction, including the tips, so the companies are incentivized to promote tips whenever possible. Workers and consumers deserve the confidence that workers receive the tip meant for them.

Tip screens have now been introduced into industries that formerly did not rely on tipped workforces.

A 2024 report done by national HR and payroll company, Paylocity, found that over 60% of people are uncomfortable with tipping, and over 70% want clearer, more transparent tipping practices to alleviate

¹ Karon Warren. “Tipflation: What It Is and How It Is Changing Tipping Culture in America.” Investopedia. October 17, 2023.

that discomfort.² A lack of transparency and “tipflation” may ultimately lead to lower take home earnings and poorer working conditions for employees who depend on tips as a significant part of their income. Without policies that enforce transparency in the tipping process, we risk losing a substantial portion of workers in these fields. For these reasons, we urge the committee to issue a favorable report for HB 385 if amended.

² “Employee Benefits and Tipping Study Report.” Paylocity. September 10, 2024