

HOUSE BILL 1400

I3, K3, Q3

5lr1537
CF SB 823

By: **Delegates Boafó, Turner, Acevero, Allen, Behler, Foley, Harris, Kaiser, Kaufman, Lopez, Martinez, Terrasa, Williams, Wims, Woods, and Wu**

Introduced and read first time: February 7, 2025

Assigned to: Economic Matters and Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **No Tax on Tips Act**

3 FOR the purpose of establishing consumer protections related to service fees charged by
4 food service facilities; specifying the State minimum wage rate and tip credit amount
5 that is in effect for certain time periods; prohibiting certain employers of tipped
6 employees, beginning on a certain date, from including a tip credit amount as part
7 of the employees' wages; allowing a subtraction under the State income tax for
8 certain qualified tips received by individuals during the course of employment;
9 allowing a person a credit against the State income tax for up to a certain amount
10 paid to an employee of the person based on the payment of certain wages and tips;
11 and generally relating to service fees, the payment of wages, tip credits, and State
12 income taxes.

13 BY repealing and reenacting, with amendments,
14 Article – Commercial Law
15 Section 13–301(14)(xlii)
16 Annotated Code of Maryland
17 (2013 Replacement Volume and 2024 Supplement)

18 BY repealing and reenacting, without amendments,
19 Article – Commercial Law
20 Section 13–301(14)(xliii)
21 Annotated Code of Maryland
22 (2013 Replacement Volume and 2024 Supplement)

23 BY adding to
24 Article – Commercial Law
25 Section 13–301(14)(xliv) and 14–1328
26 Annotated Code of Maryland
27 (2013 Replacement Volume and 2024 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY repealing and reenacting, with amendments,
2 Article – Labor and Employment
3 Section 3–413 and 3–419
4 Annotated Code of Maryland
5 (2016 Replacement Volume and 2024 Supplement)

6 BY repealing and reenacting, without amendments,
7 Article – Tax – General
8 Section 10–207(a)
9 Annotated Code of Maryland
10 (2022 Replacement Volume and 2024 Supplement)

11 BY adding to
12 Article – Tax – General
13 Section 10–207(qq) and 10–758
14 Annotated Code of Maryland
15 (2022 Replacement Volume and 2024 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
17 That the Laws of Maryland read as follows:

18 **Article – Commercial Law**

19 13–301.

20 Unfair, abusive, or deceptive trade practices include any:

21 (14) Violation of a provision of:

22 (xlii) Section 12–6C–09.1 of the Health Occupations Article; [or]

23 (xliii) Title 14, Subtitle 48 of this article; or

24 **(XLIV) SECTION 14–1328 OF THIS ARTICLE; OR**

25 **14–1328.**

26 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS**
27 **INDICATED.**

28 **(2) “FOOD SERVICE FACILITY” HAS THE MEANING STATED IN §**
29 **21–301 OF THE HEALTH – GENERAL ARTICLE.**

30 **(3) “SERVICE FEE” MEANS A FEE ADDED BY A FOOD SERVICE**
31 **FACILITY TO A CUSTOMER’S TOTAL CHARGE THAT IS SEPARATE FROM:**

1 and

2 (2) to each other employee who is subject to this subtitle, at least the
3 greater of:

4 (i) the highest minimum wage under the federal Act; or

5 (ii) the State minimum wage set under subsection (c) of this section.

6 (c) [(1) Except as provided in paragraph (2) of this subsection, the] **THE** State
7 minimum wage rate is:

8 [(i) for the 12-month period beginning January 1, 2023, \$13.25 per
9 hour; and

10 (ii)] **(1) FOR THE 36-MONTH PERIOD** beginning January 1, 2024,
11 \$15.00 per hour[.];

12 [(2) The State minimum wage rate for a small employer is:

13 (i) for the 12-month period beginning January 1, 2023, \$12.80 per
14 hour; and

15 (ii) beginning January 1, 2024, \$15.00 per hour.]

16 **(2) FOR THE 12-MONTH PERIOD BEGINNING JANUARY 1, 2027,**
17 **\$17.00 PER HOUR;**

18 **(3) FOR THE 6-MONTH PERIOD BEGINNING JANUARY 1, 2028, \$18.50**
19 **PER HOUR; AND**

20 **(4) BEGINNING JULY 1, 2028, \$20.00 PER HOUR.**

21 (d) An employer may pay an employee a wage that equals a rate of 85% of the
22 State minimum wage established under this section if the employee is under the age of 18
23 years.

24 3-419.

25 (a) (1) Except as provided in § 3-1604(d) of this title, this section applies to
26 each employee who:

27 (i) is engaged in an occupation in which the employee customarily
28 and regularly receives more than \$30 each month in tips;

29 (ii) has been informed by the employer about the provisions of this

1 section; and

2 (iii) has kept all of the tips that the employee received.

3 (2) Notwithstanding paragraph (1)(iii) of this subsection, this section does
4 not prohibit the pooling of tips.

5 (b) Subject to the limitations in this section, an employer may include, as part of
6 the wage of an employee to whom this section applies:

7 (1) an amount that the employer sets to represent the tips of the employee;
8 or

9 (2) if the employee or representative of the employee satisfies the
10 Commissioner that the employee received a lesser amount in tips, the lesser amount.

11 (c) (1) The tip credit amount that the employer may include under subsection
12 (b) of this section may not exceed the minimum wage established under § 3–413 of this
13 subtitle for the employee less [\$3.63]:

14 (I) FOR THE 12–MONTH PERIOD BEGINNING JANUARY 1, 2027,
15 \$12.00; AND

16 (II) FOR THE 6–MONTH PERIOD BEGINNING JANUARY 1, 2028,
17 \$13.50.

18 (2) BEGINNING JULY 1, 2028, AN EMPLOYER:

19 (I) MAY NOT INCLUDE A TIP CREDIT AS PART OF THE WAGE OF
20 AN EMPLOYEE SUBJECT TO THIS SUBTITLE; AND

21 (II) SHALL PAY AN EMPLOYEE A WAGE THAT IS AT LEAST EQUAL
22 TO THE STATE MINIMUM WAGE SET UNDER § 3–413 OF THIS SUBTITLE.

23 (3) THIS SECTION MAY NOT BE CONSTRUED AS PROHIBITING THE
24 PAYMENT OF TIPS TO EMPLOYEES.

25 (d) (1) The Commissioner shall adopt regulations, in consultation with payroll
26 service providers and restaurant industry trade group representatives, to require
27 restaurant employers that include a tip credit as part of the wage of an employee to provide
28 tipped employees with a written or electronic wage statement for each pay period that
29 shows the effective hourly tip rate as derived from employer–paid cash wages plus all
30 reported tips for tip credit hours worked each workweek of the pay period.

31 (2) The Commissioner shall provide notification of the tip credit wage

1 statement regulations on the Department's website.

2 **Article – Tax – General**

3 10–207.

4 (a) To the extent included in federal adjusted gross income, the amounts under
5 this section are subtracted from the federal adjusted gross income of a resident to determine
6 Maryland adjusted gross income.

7 **(QQ) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE**
8 **MEANINGS INDICATED.**

9 **(II) “EMPLOYMENT” MEANS WORK IN AN OCCUPATION OR**
10 **INDUSTRY IN WHICH AN INDIVIDUAL IS CUSTOMARILY COMPENSATED THROUGH A**
11 **COMBINATION OF WAGES AND TIPS, SUCH AS BARBERING, COSMETOLOGY,**
12 **HOSPITALITY, FOOD AND BEVERAGE SERVICE, PARKING SERVICES, AND CUSTODIAL**
13 **SERVICES.**

14 **(III) “QUALIFIED TIPS” MEANS TIPS RECEIVED BY AN**
15 **INDIVIDUAL DURING THE COURSE OF EMPLOYMENT THAT ARE PAID TO THE**
16 **INDIVIDUAL BY AN UNRELATED PARTY WHO DOES NOT HAVE AN OWNERSHIP STAKE**
17 **IN THE BUSINESS PROVIDING THE EMPLOYMENT.**

18 **(2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION**
19 **INCLUDES THE AMOUNT OF QUALIFIED TIPS RECEIVED BY AN INDIVIDUAL DURING**
20 **THE TAXABLE YEAR.**

21 **10–758.**

22 **(A) SUBJECT TO THE LIMITATIONS OF THIS SECTION, FOR A TAXABLE YEAR**
23 **BEGINNING AFTER DECEMBER 31, 2026, BUT BEFORE JANUARY 1, 2029, A PERSON**
24 **MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN AN AMOUNT EQUAL TO**
25 **50% OF THE DIFFERENCE BETWEEN:**

26 **(1) THE MINIMUM WAGE PAID TO AN EMPLOYEE OF THE PERSON IN**
27 **ACCORDANCE WITH § 3–413 OF THE LABOR AND EMPLOYMENT ARTICLE; AND**

28 **(2) THE TIP CREDIT AMOUNT ALLOWED UNDER § 3–419 OF THE**
29 **LABOR AND EMPLOYMENT ARTICLE.**

30 **(B) (1) FOR ANY TAXABLE YEAR, THE TOTAL AMOUNT OF THE CREDIT**
31 **ALLOWED UNDER THIS SECTION MAY NOT EXCEED:**

1 **(I) THE STATE INCOME TAX IMPOSED FOR THAT TAXABLE**
2 **YEAR; OR**

3 **(II) \$10,000.**

4 **(2) ANY UNUSED AMOUNT OF THE CREDIT FOR ANY TAXABLE YEAR**
5 **MAY NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.**

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act is contingent on the
7 passage of Chapter(s) ___(S.B. 809 or H.B. 1458) of the Acts of the General Assembly of
8 2025, a constitutional amendment, and its ratification by the voters of the State.

9 SECTION 3. AND BE IT FURTHER ENACTED, That, subject to Section 2 of this
10 Act, this Act shall take effect on the proclamation of the Governor that the constitutional
11 amendment, having received a majority of the votes cast at the general election, has been
12 adopted by the people of Maryland.