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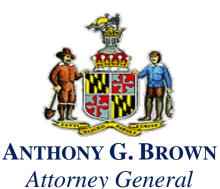
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February 14, 2024

The Honorable C.T. Wilson To:

Chair, Economic Matters Committee

From: Karen S. Straughn

Consumer Protection Division

House Bill 419 – Business Regulation – Automatic Tip Prompt Screen - Requirements Re:

(SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of House Bill 419 submitted by Delegates Mary A. Lehman, et al. This bill requires each licensed business that uses a point-of-sale system at the time of checkout that displays a screen prompting a customer to select an amount for a tip to conspicuously display on the same screen information concerning to whom the tip will be allocated.

Consumers are increasingly asked to provide a tip when purchasing everyday items. This can range from restaurants, to retail stores, to auto mechanics and more. The business determines the tip suggestions, but they typically range from 10% to 30 % of your total bill. Consumers customarily believe that the tips they pay are a gratuity or extra compensation for the employees who serve them. The Federal Trade Commission has taken action against businesses that misled consumers about the purpose of their tips by diverting them from their employees and, instead, using consumer tips to defray overhead. Such practices would likely also violate Maryland's Consumer Protection Act.

1 See e.g. FTC Press Release – Amazon Flex ("Amazon will pay more than \$61.7 million to settle Federal Trade Commission charges that it failed to pay Amazon Flex drivers the full amount of tips they received from Amazon customers over a two and a half year period.") at https://www.ftc.gov/legal-library/browse/cases-proceedings/1923123-amazon-flex.

While most businesses that use a point-of-sale system distribute tips to the employees who helped the customer, some may distribute the tips more generally among employees, and still others may be failing to distribute all of the tips to the employees, thereby deceiving consumers about the use of the surcharge. Consumers should not be misled into leaving a tip thinking it is for a helpful employee when it is not. Consumers should also not be told that their payments are "tips" when, in fact, they are collected from the business for its overhead.

This bill does not require that a tip be provided, only that the point-of-sale system identify to whom the tip is being provided. This will allow consumers to make an educated decision about whether and how much to tip.

For these reasons, the Consumer Protection Division asks that the Economic Matters Committee return a favorable report on this bill.

cc: The Honorable Mary A. Lehman

The Honorable Jen Terrasa

The Honorable Nick Allen

The Honorable Heather Bagnall

The Honorable Adrian Boafo

The Honorable Lorig Charkoudian

The Honorable Linda Foley

The Honorable Michele Guyton

The Honorable Steve Johnson

The Honorable Dana Jones

The Honorable Aaron M. Kaufman

The Honorable Robbyn Lewis

The Honorable Lesley J. Lopez

The Honorable Aletheia McCaskill

The Honorable Joseline A. Pena-Melnyk

The Honorable Stuart Michael Schmidt, Jr.

The Honorable Karen Simpson

The Honorable Vaughn Stewart

The Honorable Deni Taveras

The Honorable Kym Taylor

The Honorable Joe Vogel

The Honorable Nicole A. Williams

The Honorable Chao Wu

Members, Economic Matters Committee