



Testimony to the Senate Finance Committee
HB419- Consumer Protection - Automatic Tip Prompt Screen - Requirements
Position: Favorable

3/25/2024

The Honorable Pam Beidle, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401
cc: Members, Senate Finance

Chair Beidle and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

I am writing to urge your favorable report on HB419, which would require that businesses licensed by the Maryland Department of Labor that use a digital point-of-sale system to display a disclosure that shows who will be receiving a tip on the same screen that offers a tip option. Additionally, the bill establishes that a violation of this requirement constitutes an unfair, abusive, or deceptive trade practice.

In an era where electronic payment systems have become ubiquitous, it is crucial that consumers are fully informed about how their tips are allocated. Many customers may assume that their tips go directly to the service provider, only to later discover that they are distributed among various employees or even withheld entirely by the employer. This lack of transparency erodes trust and undermines the integrity of the tipping system. Consumers have the right to know where their tips are going, especially considering that these funds are optional and most often based on the interaction between consumer and worker.

Although we support the transparency this bill creates, we do have some concerns about the impact it will have on tipped workers. The consumer should not bear the burden of helping workers stay afloat amidst inadequate hourly wages. However, setting the default tip to zero could mean that workers see a major dip in pay without a corresponding raise in wages.

HB419 aligns with Economic Action Maryland's mission to promote fairness and transparency in consumer transactions. For these reasons, we urge a favorable report.

Best,
Zoe Gallagher, Policy Associate