



# MONTGOMERY COUNTY, MARYLAND WOMEN'S DEMOCRATIC CLUB

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## **House Bill 1400 – No Tax on Tips Bill Economic Matters Committee/Ways and Means – March 4, 2025 SUPPORT**

Thank you for this opportunity to submit written testimony concerning an important priority of the **Montgomery County Women's Democratic Club (WDC)** for the 2025 legislative session. WDC is one of Maryland's largest and most active Democratic clubs with hundreds of politically active members, including many elected officials.

WDC urges the passage of [HB1400](#) – No Tax on Tips Bill. This bill will incrementally increase the State minimum wage from the current \$15/hour to \$20/hour by July 1, 2028, and end Maryland's two-tier wage system for tipped workers by incrementally increasing the current \$3.63 sub-minimum wage for tipped workers to \$20/hour by July 1, 2028. Beginning July 1, 2028, an employer may not include an earned tip credit as part of a covered employee's wage and shall pay the employee at least the State minimum wage of \$20/hour. Before January 1, 2029, (when the two-tiered wage system ends), a tipped worker may claim a State income tax credit of 50 percent of the difference between the minimum wage paid and the tip credit. This bill also prohibits a food service facility from charging a service fee unless such fee is prominently disclosed and must state whether the service fee is paid directly to the employees.

Although the State raised the minimum wage to \$15/hour on January 1, 2024, there was no provision made to adjust the minimum wage over time to reflect changes in the CPI (Consumer Price Index). The tipped sub-minimum wage reached \$3.63/hour in 2009 and has not increased since then. Over time, the gap between the sub-minimum wage and the prevailing minimum wage has grown – requiring an increasing amount of tips to make up the difference. This system results in significant inequities, including different pay rates for tipped “front-of the house” employees (waiters, bartenders) and salaried “back of the house” employees (cooks, bussers, dishwashers). Many restaurant patrons are unaware that their tips subsidize those restaurant owners who pay the sub-minimum tipped wage. Employees of high-end fine dining restaurants may earn significantly more than the State minimum wage, while most tipped workers do not – and because of a high rate of wage-theft, they may not even earn the State minimum wage for fear of reporting their employers and losing their jobs. Forty two percent of tipped workers have a family income under \$50,000 per year. One-third of tipped workers have a family income less than double the federal poverty line. Nationally, tipped workers are 70 percent women, and 43 percent people of color. 30 percent are parents. Also, tipped workers have the highest rate of sexual harassment of any industry because they must tolerate inappropriate customer behavior to ensure a good tip.

**We ask for your support for HB1400 and strongly urge a favorable Committee report.** This bill will end Maryland's inequitable sub-minimum wage for tipped workers. Although it does not add a provision to adjust the minimum wage for inflation, it does provide for incremental increases in the minimum wage to \$20/hour by July 1, 2028 – closer to the Maryland [2024 living wage](#) for a single adult of \$26.17/hour.

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