

HB1400_RichardKaplowitz_FAV
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TESTIMONY ON HB#/1400 – FAVORABLE
No Tax on Tips Act

FROM: Richard Keith Kaplowitz

My name is Richard K. Kaplowitz. I am a resident of District 3, Frederick County. I am submitting this testimony in support of HB#1400, No Tax on Tips Act

The Economic Policy Institute has identified the racist origins of tipping. ***Tipping is a racist relic and a modern tool of economic oppression in the South Rooted in Racism and Economic Exploitation***¹ Understanding that origin is crucial in beginning the evaluation of this bill.

Across the country, tipped workers are more likely to be people of color, women, women of color, or single parents, and are disproportionately born outside of the United States. Tipped workers earn low wages, experience high rates of poverty, and are vulnerable to exploitation in the workplace—particularly in the form of wage theft and sexual harassment.

In most of the country, workers in restaurants, bars, nail salons, barber shops, and various other service jobs are paid differently than workers in virtually all other occupations. For these workers, a large portion (in many cases all) of their take-home pay comes from gratuity or “tips” provided directly from the customer. While employers of workers in nearly all other occupations must pay at least the minimum wage, federal and most states’ laws establish a lower “subminimum wage” for tipped workers that effectively passes the responsibility for compensating these workers from their employers to their clientele.

This subminimum wage in the United States is a uniquely American institution that is rooted in the exploitation of formerly enslaved Black workers following emancipation. Tipping in the U.S. originated in the antebellum period...Following the Civil War and the abolition of slavery, formerly enslaved Black workers were often relegated to service jobs (e.g., food service workers and railroad porters). However, instead of paying Black workers any wage at all, employers suggested that guests offer Black workers a small tip for their services. Thus, the use of tipping to pay a worker’s base wage, instead of as a bonus on top of employer-paid wages, became an increasingly common practice for service sector employment. In the early 20th century, these employers, who shared a common goal of keeping labor costs down and preventing worker organizing, formed the National Restaurant Association (NRA). Over the past century, the NRA has lobbied Congress to achieve these goals, first by excluding tipped occupations from minimum

¹ <https://www.epi.org/publication/rooted-racism-tipping/>

wage protections entirely, and later by establishing permanent subminimum wages for tipped workers (One Fair Wage 2021).

The Maryland Restaurant Association maintains that, without the retention of a subminimum wage supplemented by the tip credit the employees will make less money and restaurants will be forced to raise prices or go out of business. My personal experience as a server tells me that these assertions are false and skewed to protect restaurants from paying a living wage to their staff.

Not every restaurant “cashes out” the tips earned at the end of a shift. Credit card tips may be collected and retained by the employer until their inclusion on a paycheck with taxes paid for them. Thus, the business can use your money the customer left for you for a period of time and you will not receive 100% of what that customer thought they were giving to you. Tips can vary based on date, time, your station (tables you are assigned to work), size of the party being served, problems in the kitchen taken out on you as the server, and especially how long a party occupies that table and the weather. I went in many times during snowstorms despite being told to stay off the roads and earned less than \$20 for 5 hours of work in tips. Yes, the employer must compensate me at the tip credit rate – but that could be two weeks later and the income to pay the bills I have tomorrow is missing. So, I get behind and pay late fees and never get ahead.

This bill establishes consumer protections related to the payment of wages and tips by food service and other facilities. It specifies the State minimum wage rate that will be applied. It will begin the phasing out of subminimum wages through prohibiting, beginning July 1, 2028, employers of tipped employees from including a tip credit amount as part of the employees' wages. It will protect tipped earnings from not being earned in full by the person being tipped by allowing a subtraction under the State income tax for certain qualified tips received by certain individuals. Finally, unlike the empty promises being made at the Federal level, this bill extends to Maryland employees the allowance for a person to receive a credit against the State income tax for certain amounts paid to an employee based on the payment of certain wages and tips.

I respectfully urge this committee to return a favorable report on HB#1400.