



**MARYLAND STATE
LICENSED BEVERAGE ASSOCIATION**

150 E Main Street, Suite 104, Westminster, MD 21157

Senate Finance Committee
Senate Budget and Taxation Committee
March 5, 2025
Senate Bill 823 – *No Tax on Tips Act*
POSITION: OPPOSE

The Maryland State Licensed Beverage Association (MSLBA), which consists of approximately 850 Maryland businesses holding alcoholic beverage licenses (restaurants, bars, taverns, and package stores), opposes Senate Bill 823.

This legislation would make three changes to existing law: 1) It would require that if a food service facility charges a “service fee”, that it must disclose the amount and purpose of the fee; 2) It would raise the minimum wage to \$17.00 per hour effective January 1, 2027, \$18.50 effective January 1, 2028, and \$20.00 per hour effective July 1, 2028, and 3) eliminate the tip credit.

Regarding the service fee, the cost of goods, labor, electricity and other critical aspects of the food and beverage industry have increased significantly. Some businesses have chosen to impose service fees to help offset those costs. Any such fees are disclosed on the check received by the customer. These fees may in part go to employees and may in part be retained by the business to offset these higher costs. The required disclosure does not anticipate that these purposes may vary from time to time and puts the business in the position of being heavily fined under the Consumer Protection Act for violations.

The minimum wage increase imposed under Senate Bill 823 would place an even heavier financial burden upon the food and beverage industry than already exists. This industry is labor intensive and thus labor costs are greater than in other industries to raise the same amount of revenue. This will cause employers to not hire as many people and these higher labor costs will ultimately be passed on to the consumer, who in turn may dine out less and thus reduce the amount of taxes paid to the State.

Finally, eliminating the tip credit would only further increase labor costs for businesses. Taking away tipped income in favor of an hourly wage would lower the wages of many tipped employees and erode their incentive to provide the best possible service to each patron.

For these reasons, MSLBA strongly opposes Senate Bill 823.

For more information call:

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