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The Honorable Members of the Senate Committee

Maryland General Assembly, Annapolis, MD 21401

Testimony in Support of Senate Bill 823 (SB0823) - No Tax on Tips Act

Hearing Date: March 05, 2025

Chairperson and Esteemed Members of the Committee,

My name is Maureen Wambui, and I am a proud Immigrant, Parent, Community advocate and resident of Legislative District 8 in Maryland. I am submitting testimony in **strong support** of Senate Bill 823, the "No Tax on Tips Act." This bill is a critical step in ensuring fair wages for tipped workers while providing tax relief to both employees and employers in Maryland.

Why SB0823 is Necessary:

Eliminating the Tip Credit Ensures Fair Wages for Tipped Workers

Currently, Maryland's wage system allows employers to use tip credit, which means tipped employees are often paid far less than the standard minimum wage and must rely on unpredictable customer tips to make ends meet.

- Many low-wage service workers, especially in low income working communities, struggle financially under this system.
- Eliminating the tip credit ensures that all workers earn at least the state minimum wage, providing financial stability and reducing reliance on fluctuating customer generosity.
- States that have eliminated the tip credit (such as California and Oregon) have seen higher wages and lower poverty rates among service workers, without significant negative impacts on business operations.

Tax Relief for Tipped Employees Helps Low-Income Workers

Under SB823, tipped workers would be able to subtract their tips from state taxable income, reducing their state tax burden and allowing them to keep more of their earnings. This is especially beneficial for:

- Low-wage workers, who often live paycheck to paycheck.

- Low-income workers, who disproportionately rely on tipped wages and struggle with financial stability.
- Single parents and working families, who need every dollar to cover rent, food, and other essential expenses.

Tax Credits for Employers Encourage Fair Pay Without Business Hardship

SB823 provides an income tax credit for employers who comply with the new wage standards. This provision:

- Help small businesses transition to a fair wage system.
- Encourages ethical pay practices while reducing financial strain on restaurant and hospitality employers.
- Creates a balanced approach that benefits both workers and businesses.

Stronger Worker Protections Lead to Economic Growth

When workers earn fair wages, they spend more in their communities, boosting local businesses and the state economy.

- Studies show that higher wages lead to lower employee turnover, reducing costs for businesses in recruitment and training.
- When workers are financially stable, they rely less on public assistance programs, reducing taxpayer burdens.

SB823 is a common-sense solution that ensures fair wages for tipped workers, provides tax relief, and supports businesses during this transition. Maryland has an opportunity to set a precedent for worker rights, economic fairness, and a stronger service industry. I urge the committee to pass SB823 to create a fairer and more just wage system for all.

Thank you for your time and consideration.

Respectfully submitted,

Maureen Wambui