### Fischman\_No\_Tax\_On\_Tips\_SB\_823\_Testimony.pdf Uploaded by: Edward Fischman

Position: FAV

#### Edward Fischman - Testimony in Support of SB 823 --

(Chair, Montgomery County chapter of Our Revolution MD)

Chair Beidle, Vice-Chair Hayes, and Members of the Senate Finance Committee:

I offer this testimony in support of SB 823, as introduced by Senator McCray. As to recent amendments to the bill, I will address them more fully below.

I am testifying on behalf of Our Revolution Maryland which has been advocating for various progressive initiatives, including increases in the minimum wage, and in partnership with One Fair Wage, to eliminate the sub-minimum wage for tipped workers.

This effort has met great resistance across Maryland, thanks to a well-organized opposition campaign directed by the Restaurant Association. They have brought servers from just a few restaurants to testify against the change. Legislators in Montgomery and Prince George's Counties abandoned their efforts to make this change at the local level, and here in the General Assembly, state legislation met a similar fate a year ago.

Senator McCray's proposal found the political sweet-spot. Paired with a raise in the minimum wage for all workers across the state, SB 823 would have phased out the sub0minimum wage. However, it would also have substituted favorable tax treatment for tips, which would not be eliminated by the legislation.

Federal proposals to eliminate the tax on tips are moving us in the wrong direction, by leaving the sub-minimum wage in place. This would create an unjustifiable carve-out from income tax for most of the income which servers get. This would reinforce the problem we face now with restaurant owners shifting responsibility for wages on to their customers. Worse still, it would surely lead to workers in other industries seeking to avoid taxation by getting away from regular wages and allowing their employers to rely on customer tips to pay their wage.

SB823 would end that perverse incentive. It would also recharacterize tips received above the minimum wage being paid by employers. Those would be exempt from income taxation. Furthermore, allowing tax credits for business during the transition, it would neuter much of the fearmongering about the impacts of this transition.

We heartily support the bill as first introduced. Stripping out the elimination of the subminimum wage, while exempting much of servers' income from taxation, represents the worst of the bargain. Servers and restaurants might cheer it, but under those circumstances, it would be unjustifiable to treat servers' income so differently from the income of all other workers across all other industries.

We have sought to address generations of negative disparate treatment with respect to servers' wages. The solution is to put servers more on par with other workers, not to give them an unfair, unjustified tax advantage compared with other workers.

The history of using tips in lieu of real wages is a problematic one. However, if the affected businesses will directly pay the wages of their staff, at least as to a generally applicable minimum wage, we would support treating additional tips received as tax-exempt income for these workers. It would be important to secure the tips for the staff, which would align the practice with the expectations of customers giving the gratuities.

We hope the proposed studies will produce favorable indications regarding the positive impact of raising the minimum wage, and refuting industry concerns about negative impact to the bottom line of nearly all restaurants.

We would support a bill which advanced such studies in lieu of raising wages and eliminating the subminimum wage now. However, we strongly urge that the "no tax on tips" provisions are stripped out for now, to be reconsidered at a future date, along with legislation addressing the subminimum wage.

On my own behalf, and on behalf of thousands of Our Revolution members in Maryland, I urge the committee to issue an amended SB 823, along the lines discussed above. before issuing any favorable report on the bill.

### **UFCW 400 Favorable Written Testimony for SB 0823 -** Uploaded by: Kayla Mock

Position: FAV



### United Food & Commercial Workers Union

A voice for working people in Maryland, Virginia, Washington, D.C., West Virginia, Ohio, Kentucky & Tennessee

#### **Testimony in Support of SB 0823**

No Tax On Tips

March 3, 2025

**To:** Honorable Chair Pamela Beidle, Vice Chair Antonio Hayes, and members of the Senate Finance Committee

From: Kayla Mock, Political & Legislative Director

United Food and Commercial Workers Union, Local 400

Chair Beidle and members of the Senate Finance Matters Committee, I appreciate the chance to share my testimony on behalf of our over 10,000 members in Maryland, working in grocery, retail, food distribution, cannabis, and health care. Through collective bargaining, our members raise the workplace standards of wages, benefits, safety, and retirement for all workers. Union members are critical to the addressing inequality and uplifting the middle class.

We support SB 0823 and urge you to vote it favorably.

### Maureen Wambui -Testimony in Support of Senate Bil Uploaded by: Maureen Wambui

Position: FAV

Maureen Wambui

7827 Rolling View Ave, Nottingham, MD, 21236

Maureen.w.m.2030@gmail.com

03/03/2025

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

# SB 823 NAACP.pdf Uploaded by: Ricarra Jones Position: FAV



#### Testimony on SB823 -No Tax on Tips Act

**Position:** Favorable

The Maryland State Conference of the NAACP strongly urges the passage of SB 823, a bill that would remove tips from state income tax calculations, allowing workers to retain more of their earnings. This bill also proposes tax credits for restaurants and small businesses to support compliance and facilitate transitions, as well as mandates for businesses to disclose how service fees are allocated. SB 823 represents an important step towards eliminating the subminimum tipped wage, which is a legacy of slavery in this country.

Tipping became widespread in the United States after the Civil War, when restaurants and railway companies adopted the practice as a means to avoid paying wages to recently freed slaves. From its inception, tipping has been a way for employers to shift their wage responsibilities onto customers. This practice has continued throughout history, disproportionately affecting women and workers of color, who are more likely to hold service sector jobs. These workers have also faced historical discrimination and lower wages.

There are ongoing efforts to exclude service workers from receiving the full protections of the minimum wage, particularly within the restaurant industry. The Restaurant Association, since its founding, has been dedicated to keeping wages low and preventing the elimination of the tipped minimum wage.

In conclusion, to address poverty and promote equity among tipped workers, we must eliminate the subminimum tipped wage. Relying on tips as the primary source of income opens the door to exploitation and discrimination, and ending this practice is crucial to advancing fairness and justice in the workplace.

For these reasons, we urge a favorable report on SB 823.

Thank You,

Ricarra Jones

Maryland State Conference of the NAACP

### **Testimony in support of SB0823 - No Tax on Tips Ac** Uploaded by: Richard KAP Kaplowitz

Position: FAV

SB0823\_RichardKaplowitz\_FAV 03/04/2025 Richard Keith Kaplowitz Frederick, MD 21703

#### TESTIMONY ON SB#/0823 – 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 SB#0823, 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 <sup>1</sup> 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

<sup>&</sup>lt;sup>1</sup> https://www.epi.org/publication/rooted-racism-tipping/

#### SB0823 RichardKaplowitz FAV

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 sub-minimum 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 assertations 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 the 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 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 SB#0823.

## SB823\_SponsorAmendment\_983928 Uploaded by: Senator McCray

Position: FAV



#### SB0823/983928/1

AMENDMENTS
PREPARED
BY THE
DEPT. OF LEGISLATIVE
SERVICES

04 MAR 25 14:19:13

BY: Senator McCray (To be offered in the Finance Committee and the Budget and Taxation Committee)

#### AMENDMENTS TO SENATE BILL 823

(First Reading File Bill)

#### AMENDMENT NO. 1

On page 1, in line 3, after "of" insert "requiring a local licensing board that issues licenses to sell alcoholic beverages for on—premises consumption to suspend a license for the failure of a license holder to complete certain sexual harassment prevention training:"; strike beginning with "specifying" in line 4 down through "wages;" in line 7 and substitute "prohibiting an employer of a tipped employee from deducting credit card transaction fees and charges from the wage of the tipped employee; authorizing the Commissioner of Labor and Industry to issue a certain order for a violation involving an employer's failure to post certain information in a place of employment; establishing requirements related to sexual harassment prevention training for employers and employees;"; strike beginning with "allowing" in line 9 down through "tips;" in line 10 and substitute "requiring the Maryland Department of Labor to report on certain information regarding the State minimum wage and the tip credit to the General Assembly;"; strike beginning with ", the" in line 11 down through "taxes" in line 12 and substitute "and employers and employees in the State"; and after line 12, insert:

#### "BY adding to

<u>Article – Alcoholic Beverages and Cannabis</u>

Section 4-604(c)

Annotated Code of Maryland

(2024 Replacement Volume)".

On page 2, in line 3, strike "3–413 and"; in the same line, after "3–419" insert "and 3–423"; after line 5, insert:

SB0823/983928/01 Amendments to SB 823 Page 2 of 9 **McCray** 

"BY adding to

Article – Labor and Employment

Section 3–715.1

Annotated Code of Maryland

(2016 Replacement Volume and 2024 Supplement)";

and in line 13, strike "and 10–758".

#### AMENDMENT NO. 2

On page 2, after line 17, insert:

#### "Article - Alcoholic Beverages and Cannabis

<u>4–604.</u>

- (C) (1) ON RECEIPT OF A NOTIFICATION FROM THE COMMISSIONER OF LABOR AND INDUSTRY UNDER § 7–315.1(G)(3) OF THE LABOR AND EMPLOYMENT ARTICLE, A LOCAL LICENSING BOARD SHALL SUSPEND A LICENSE FOR THE FAILURE OF A LICENSE HOLDER TO COMPLETE THE SEXUAL HARASSMENT PREVENTION TRAINING AS REQUIRED UNDER § 3–715.1 OF THE LABOR AND EMPLOYMENT ARTICLE.
- (2) A LICENSE SUSPENSION UNDER THIS SUBSECTION SHALL REMAIN IN EFFECT UNTIL THE LOCAL LICENSING BOARD RECEIVES NOTIFICATION FROM THE COMMISSIONER OF LABOR AND INDUSTRY THAT THE LICENSE HOLDER HAS TAKEN THE REQUIRED SEXUAL HARASSMENT PREVENTION TRAINING.".

On pages 3 and 4, strike in their entirety the lines beginning with line 18 on page 3 through line 22 on page 4, inclusive.

On page 5, in line 10, strike "(1)"; in line 12, strike the brackets; and strike beginning with the colon in line 12 down through "EMPLOYEES" in line 23.

On page 6, before line 1, insert:

"(E) AN EMPLOYER MAY NOT MAKE A DEDUCTION FROM THE WAGE OF AN EMPLOYEE TO WHOM THIS SECTION APPLIES FOR ANY PORTION OF A CREDIT CARD TRANSACTION FEE OR CHARGE IMPOSED ON THE EMPLOYER.

3-423.

- (a) On request by an employer, the Commissioner shall provide without charge a copy of any summary or regulation to the employer.
- (b) Each employer shall keep posted conspicuously in each place of employment:
  - (1) a summary of this subtitle that the Commissioner approves; and
- (2) a copy or summary of each regulation that is adopted to carry out this subtitle.
- (C) IF THE COMMISSIONER DETERMINES THAT AN EMPLOYER HAS VIOLATED SUBSECTION (B) OF THIS SECTION, THE COMMISSIONER MAY ISSUE AN ORDER TO THE EMPLOYER THAT DESCRIBES THE VIOLATION AND DIRECTS THE EMPLOYER TO POST THE REQUIRED INFORMATION.

#### 3–715.1.

(A) THIS SECTION APPLIES ONLY TO:

- (1) AN EMPLOYER WHO INCLUDES A TIP CREDIT AS PART OF AN EMPLOYEE'S WAGE UNDER § 3–419 OF THIS ARTICLE; AND
- (2) AN EMPLOYEE OF AN EMPLOYER DESCRIBED UNDER ITEM (1) OF THIS SUBSECTION.
- (B) (1) SUBJECT TO PARAGRAPHS (2) THROUGH (4) OF THIS SUBSECTION, THE COMMISSIONER SHALL:
- (I) PROVIDE MANDATORY SEXUAL HARASSMENT
  PREVENTION TRAINING FOR EMPLOYERS AND THEIR EMPLOYEES; AND
- (II) <u>CERTIFY A LIST OF OTHER PROVIDERS OF SEXUAL</u> HARASSMENT PREVENTION TRAINING.
- (2) THE COMMISSIONER SHALL CONSULT WITH GROUPS REPRESENTING VICTIMS, EMPLOYEES, AND EMPLOYERS IN THE CREATION OF THE SEXUAL HARASSMENT PREVENTION TRAINING REQUIRED TO BE PROVIDED UNDER PARAGRAPH (1)(I) OF THIS SUBSECTION.
- (3) THE SEXUAL HARASSMENT PREVENTION TRAINING SHALL INCLUDE INFORMATION ON HOW TO RESPOND TO, INTERVENE IN, AND PREVENT SEXUAL HARASSMENT BY COWORKERS, MANAGERS, AND CUSTOMERS OF THE EMPLOYER.
- (4) THE COMMISSIONER, WITH THE APPROVAL OF THE SECRETARY OF LABOR, MAY DELEGATE THE RESPONSIBILITIES REQUIRED UNDER THIS SECTION TO ANOTHER UNIT WITHIN THE MARYLAND DEPARTMENT OF LABOR.

- (C) (1) EACH EMPLOYEE OF AN EMPLOYER SHALL COMPLETE SEXUAL HARASSMENT PREVENTION TRAINING IN PERSON OR ONLINE:
- (I) WITHIN 90 DAYS AFTER BEING HIRED BY THE EMPLOYER,
  UNLESS THE EMPLOYEE HAS COMPLETED THE TRAINING WITHIN THE
  IMMEDIATELY PRECEDING 2 YEARS; AND
  - (II) EVERY 2 YEARS THEREAFTER.
- (2) EACH EMPLOYER, INCLUDING AN OWNER OR OPERATOR, SHALL COMPLETE THE SEXUAL HARASSMENT PREVENTION TRAINING IN PERSON OR ONLINE AT LEAST ONCE EVERY 2 YEARS.
- (D) IF AN EMPLOYER OR EMPLOYEE OF THE EMPLOYER COMPLETES THE SEXUAL HARASSMENT PREVENTION TRAINING FROM A PROVIDER CERTIFIED BY THE COMMISSIONER, WITHIN 30 DAY AFTER THE COMPLETION OF THE TRAINING, THE EMPLOYER SHALL SUBMIT CERTIFICATION OF THE COMPLETION TO THE COMMISSIONER.
- (E) THE COMMISSIONER SHALL MAINTAIN A RECORD OF EACH INDIVIDUAL WHO HAS COMPLETED THE SEXUAL HARASSMENT PREVENTION TRAINING FOR AT LEAST 5 YEARS.

#### (F) EACH EMPLOYER SHALL:

(1) BEGINNING JUNE 1, 2025, DOCUMENT INSTANCES OF SEXUAL HARASSMENT REPORTED TO MANAGEMENT, INCLUDING WHETHER THE ALLEGED

SB0823/983928/01 Amendments to SB 823 Page 6 of 9 McCray

HARASSER WAS A NONMANAGERIAL EMPLOYEE, A MANAGERIAL EMPLOYEE, AN OWNER, OR AN OPERATOR;

- (2) (I) FILE WITH THE COMMISSIONER A POLICY OUTLINING HOW EMPLOYEES CAN REPORT INSTANCES OF SEXUAL HARASSMENT TO MANAGEMENT AND THE COMMISSIONER;
- (II) <u>DISTRIBUTE THE EMPLOYER'S SEXUAL HARASSMENT</u> POLICY TO EACH NEWLY HIRED EMPLOYEE; AND
- (III) POST THE POLICY IN A CONSPICUOUS PLACE ACCESSIBLE TO ALL EMPLOYEES ON THE PREMISES OF THE EMPLOYER; AND
- (3) ON OR BEFORE DECEMBER 1 EACH YEAR, BEGINNING IN 2025, REPORT TO THE COMMISSIONER THE NUMBER OF INSTANCES OF SEXUAL HARASSMENT REPORTED TO MANAGEMENT AND THE TOTAL NUMBER OF ALLEGED HARASSERS WHO WERE NONMANAGERIAL EMPLOYEES, MANAGERIAL EMPLOYEES, OWNERS, OR OPERATORS.
- (G) (1) THIS SUBSECTION APPLIES ONLY TO AN EMPLOYER THAT HOLDS A LICENSE ISSUED UNDER THE ALCOHOLIC BEVERAGES AND CANNABIS ARTICLE TO SELL ALCOHOLIC BEVERAGES FOR ON-PREMISES CONSUMPTION.
- (2) If an employer or an employee does not complete the SEXUAL HARASSMENT TRAINING AS REQUIRED UNDER THIS SECTION, THE COMMISSIONER SHALL NOTIFY THE EMPLOYER AND ORDER COMPLIANCE.
- (3) IF, AFTER RECEIVING NOTICE FROM THE COMMISSIONER, THE EMPLOYER FAILS TO COMPLY WITH THE REQUIREMENTS OF THIS SECTION

SB0823/983928/01 Amendments to SB 823 Page 7 of 9 McCray

WITHIN A TIME PRESCRIBED BY REGULATION, THE COMMISSIONER SHALL NOTIFY THE EXECUTIVE DIRECTOR OF THE ALCOHOL, TOBACCO, AND CANNABIS COMMISSION AND THE LOCAL LICENSING BOARD, AS DEFINED IN § 1–101 OF THE ALCOHOLIC BEVERAGES AND CANNABIS ARTICLE, OF THE COUNTY IN WHICH THE EMPLOYER IS LOCATED.

(H) THE COMMISSIONER SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION.";

in line 8, strike "OR" and substitute "IN THE RESTAURANT"; in line 9, after "IS" insert ":

<u>1.</u>";

and strike beginning with ", SUCH" in line 10 down through "SERVICES" in line 12 and substitute "; AND

2. REQUIRED TO RECEIVE A WRITTEN OR ELECTRONIC WAGE STATEMENT THAT SHOWS THE INDIVIDUAL'S EFFECTIVE HOURLY TIP RATE IN ACCORDANCE WITH § 3–419(D) OF THE LABOR AND EMPLOYMENT ARTICLE".

On pages 6 and 7, strike in their entirety the lines beginning with line 20 on page 6 through line 4 on page 7, inclusive.

On page 7, strike beginning with "this" in line 5 down through "State" in line 8 and substitute ", on or before November 1, 2025, the Maryland Department of Labor, in consultation with the Department of Commerce, shall report to the Senate Finance Committee and the House Economic Matters Committee, in accordance with § 2–1257 of the State Government Article, on:

- (1) <u>information about the State minimum wage required under § 3–413</u> of the Labor and Employment Article, including:
- (i) data on the State minimum wage compared to the minimum wage of other states;
- (ii) what the State minimum wage would be or would be projected to be if the minimum wage:
- 1. without regard to any statutory increases required to the minimum wage rate, were indexed to a measure of inflation, such as the Consumer Price Index, from July 1, 2019, through June 30, 2025, both inclusive; and
- <u>2.</u> <u>based on the minimum wage rate in effect on July 1, 2025, is indexed to a measure of inflation, such as the Consumer Price Index, for the period of July 1, 2025, through June 30, 2030, both inclusive; and</u>
- (iii) a comparison of the State minimum wage and the federal poverty levels in the State; and
- (2) <u>information about the tip credit applied to the wages of tipped</u> employees under § 3–419 of the Labor and Employment Article, including:
- (i) how the payment of tips to tipped employees in the State compares to states that require tipped employees, without applying a tip credit, to be paid the same minimum wage rate as nontipped employees;
- (ii) how restaurants perform financially in the State compared to the states that require the payment of a minimum wage as described in item (1) of this item; and

(iii) the proportion of compliant restaurants in the State that provide to their employees effective hourly tip rates on written or electronic wage statements as required under § 3–419(d) of the Labor and Employment Article.

#### SECTION 3. AND BE IT FURTHER ENACTED, That:

- (a) The sexual harassment prevention training requirement established under § 3–715.1(c) of the Labor and Employment Article, as enacted by Section 1 of this Act, may not be enforced until the Commissioner of Labor and Industry begins to provide sexual harassment prevention training and certifies a list of other providers of sexual harassment prevention training.
- (b) Employees of an employer who were hired before June 1, 2025, shall complete the sexual harassment prevention training required under § 3–715.1(c) of the Labor and Employment Article, as enacted by Section 1 of this Act, in person or online on or before May 31, 2027.
- (c) Each employer shall comply with § 3–715.1(f)(2)(i) of the Labor and Employment Article, as enacted by Section 1 of this Act, and distribute the policy to each employee on or before December 1, 2025";

in line 9, strike "3." and substitute "4."; strike beginning with ", subject" in line 9 down through "Act," in line 10; and strike beginning with the first "the" in line 10 down through "Maryland" in line 12 and substitute "June 1, 2025".

## SB823\_SponsorAmendment\_983928 Uploaded by: Senator McCray

Position: FAV



#### SB0823/983928/1

AMENDMENTS
PREPARED
BY THE
DEPT. OF LEGISLATIVE
SERVICES

04 MAR 25 14:19:13

BY: Senator McCray (To be offered in the Finance Committee and the Budget and Taxation Committee)

#### AMENDMENTS TO SENATE BILL 823

(First Reading File Bill)

#### AMENDMENT NO. 1

On page 1, in line 3, after "of" insert "requiring a local licensing board that issues licenses to sell alcoholic beverages for on—premises consumption to suspend a license for the failure of a license holder to complete certain sexual harassment prevention training:"; strike beginning with "specifying" in line 4 down through "wages;" in line 7 and substitute "prohibiting an employer of a tipped employee from deducting credit card transaction fees and charges from the wage of the tipped employee; authorizing the Commissioner of Labor and Industry to issue a certain order for a violation involving an employer's failure to post certain information in a place of employment; establishing requirements related to sexual harassment prevention training for employers and employees;"; strike beginning with "allowing" in line 9 down through "tips;" in line 10 and substitute "requiring the Maryland Department of Labor to report on certain information regarding the State minimum wage and the tip credit to the General Assembly;"; strike beginning with ", the" in line 11 down through "taxes" in line 12 and substitute "and employers and employees in the State"; and after line 12, insert:

#### "BY adding to

<u>Article – Alcoholic Beverages and Cannabis</u>

Section 4-604(c)

Annotated Code of Maryland

(2024 Replacement Volume)".

On page 2, in line 3, strike "3–413 and"; in the same line, after "3–419" insert "and 3–423"; after line 5, insert:

SB0823/983928/01 Amendments to SB 823 Page 2 of 9 **McCray** 

"BY adding to

Article – Labor and Employment

Section 3–715.1

Annotated Code of Maryland

(2016 Replacement Volume and 2024 Supplement)";

and in line 13, strike "and 10–758".

#### AMENDMENT NO. 2

On page 2, after line 17, insert:

#### "Article - Alcoholic Beverages and Cannabis

<u>4–604.</u>

- (C) (1) ON RECEIPT OF A NOTIFICATION FROM THE COMMISSIONER OF LABOR AND INDUSTRY UNDER § 7–315.1(G)(3) OF THE LABOR AND EMPLOYMENT ARTICLE, A LOCAL LICENSING BOARD SHALL SUSPEND A LICENSE FOR THE FAILURE OF A LICENSE HOLDER TO COMPLETE THE SEXUAL HARASSMENT PREVENTION TRAINING AS REQUIRED UNDER § 3–715.1 OF THE LABOR AND EMPLOYMENT ARTICLE.
- (2) A LICENSE SUSPENSION UNDER THIS SUBSECTION SHALL REMAIN IN EFFECT UNTIL THE LOCAL LICENSING BOARD RECEIVES NOTIFICATION FROM THE COMMISSIONER OF LABOR AND INDUSTRY THAT THE LICENSE HOLDER HAS TAKEN THE REQUIRED SEXUAL HARASSMENT PREVENTION TRAINING.".

On pages 3 and 4, strike in their entirety the lines beginning with line 18 on page 3 through line 22 on page 4, inclusive.

On page 5, in line 10, strike "(1)"; in line 12, strike the brackets; and strike beginning with the colon in line 12 down through "EMPLOYEES" in line 23.

On page 6, before line 1, insert:

"(E) AN EMPLOYER MAY NOT MAKE A DEDUCTION FROM THE WAGE OF AN EMPLOYEE TO WHOM THIS SECTION APPLIES FOR ANY PORTION OF A CREDIT CARD TRANSACTION FEE OR CHARGE IMPOSED ON THE EMPLOYER.

3-423.

- (a) On request by an employer, the Commissioner shall provide without charge a copy of any summary or regulation to the employer.
- (b) Each employer shall keep posted conspicuously in each place of employment:
  - (1) a summary of this subtitle that the Commissioner approves; and
- (2) a copy or summary of each regulation that is adopted to carry out this subtitle.
- (C) IF THE COMMISSIONER DETERMINES THAT AN EMPLOYER HAS VIOLATED SUBSECTION (B) OF THIS SECTION, THE COMMISSIONER MAY ISSUE AN ORDER TO THE EMPLOYER THAT DESCRIBES THE VIOLATION AND DIRECTS THE EMPLOYER TO POST THE REQUIRED INFORMATION.

#### 3–715.1.

(A) THIS SECTION APPLIES ONLY TO:

- (1) AN EMPLOYER WHO INCLUDES A TIP CREDIT AS PART OF AN EMPLOYEE'S WAGE UNDER § 3–419 OF THIS ARTICLE; AND
- (2) AN EMPLOYEE OF AN EMPLOYER DESCRIBED UNDER ITEM (1) OF THIS SUBSECTION.
- (B) (1) SUBJECT TO PARAGRAPHS (2) THROUGH (4) OF THIS SUBSECTION, THE COMMISSIONER SHALL:
- (I) PROVIDE MANDATORY SEXUAL HARASSMENT
  PREVENTION TRAINING FOR EMPLOYERS AND THEIR EMPLOYEES; AND
- (II) <u>CERTIFY A LIST OF OTHER PROVIDERS OF SEXUAL</u> HARASSMENT PREVENTION TRAINING.
- (2) THE COMMISSIONER SHALL CONSULT WITH GROUPS REPRESENTING VICTIMS, EMPLOYEES, AND EMPLOYERS IN THE CREATION OF THE SEXUAL HARASSMENT PREVENTION TRAINING REQUIRED TO BE PROVIDED UNDER PARAGRAPH (1)(I) OF THIS SUBSECTION.
- (3) THE SEXUAL HARASSMENT PREVENTION TRAINING SHALL INCLUDE INFORMATION ON HOW TO RESPOND TO, INTERVENE IN, AND PREVENT SEXUAL HARASSMENT BY COWORKERS, MANAGERS, AND CUSTOMERS OF THE EMPLOYER.
- (4) THE COMMISSIONER, WITH THE APPROVAL OF THE SECRETARY OF LABOR, MAY DELEGATE THE RESPONSIBILITIES REQUIRED UNDER THIS SECTION TO ANOTHER UNIT WITHIN THE MARYLAND DEPARTMENT OF LABOR.

- (C) (1) EACH EMPLOYEE OF AN EMPLOYER SHALL COMPLETE SEXUAL HARASSMENT PREVENTION TRAINING IN PERSON OR ONLINE:
- (I) WITHIN 90 DAYS AFTER BEING HIRED BY THE EMPLOYER,
  UNLESS THE EMPLOYEE HAS COMPLETED THE TRAINING WITHIN THE
  IMMEDIATELY PRECEDING 2 YEARS; AND
  - (II) EVERY 2 YEARS THEREAFTER.
- (2) EACH EMPLOYER, INCLUDING AN OWNER OR OPERATOR, SHALL COMPLETE THE SEXUAL HARASSMENT PREVENTION TRAINING IN PERSON OR ONLINE AT LEAST ONCE EVERY 2 YEARS.
- (D) IF AN EMPLOYER OR EMPLOYEE OF THE EMPLOYER COMPLETES THE SEXUAL HARASSMENT PREVENTION TRAINING FROM A PROVIDER CERTIFIED BY THE COMMISSIONER, WITHIN 30 DAY AFTER THE COMPLETION OF THE TRAINING, THE EMPLOYER SHALL SUBMIT CERTIFICATION OF THE COMPLETION TO THE COMMISSIONER.
- (E) THE COMMISSIONER SHALL MAINTAIN A RECORD OF EACH INDIVIDUAL WHO HAS COMPLETED THE SEXUAL HARASSMENT PREVENTION TRAINING FOR AT LEAST 5 YEARS.

#### (F) EACH EMPLOYER SHALL:

(1) BEGINNING JUNE 1, 2025, DOCUMENT INSTANCES OF SEXUAL HARASSMENT REPORTED TO MANAGEMENT, INCLUDING WHETHER THE ALLEGED

SB0823/983928/01 Amendments to SB 823 Page 6 of 9 McCray

HARASSER WAS A NONMANAGERIAL EMPLOYEE, A MANAGERIAL EMPLOYEE, AN OWNER, OR AN OPERATOR;

- (2) (I) FILE WITH THE COMMISSIONER A POLICY OUTLINING HOW EMPLOYEES CAN REPORT INSTANCES OF SEXUAL HARASSMENT TO MANAGEMENT AND THE COMMISSIONER;
- (II) <u>DISTRIBUTE THE EMPLOYER'S SEXUAL HARASSMENT</u> POLICY TO EACH NEWLY HIRED EMPLOYEE; AND
- (III) POST THE POLICY IN A CONSPICUOUS PLACE ACCESSIBLE TO ALL EMPLOYEES ON THE PREMISES OF THE EMPLOYER; AND
- (3) ON OR BEFORE DECEMBER 1 EACH YEAR, BEGINNING IN 2025, REPORT TO THE COMMISSIONER THE NUMBER OF INSTANCES OF SEXUAL HARASSMENT REPORTED TO MANAGEMENT AND THE TOTAL NUMBER OF ALLEGED HARASSERS WHO WERE NONMANAGERIAL EMPLOYEES, MANAGERIAL EMPLOYEES, OWNERS, OR OPERATORS.
- (G) (1) THIS SUBSECTION APPLIES ONLY TO AN EMPLOYER THAT HOLDS A LICENSE ISSUED UNDER THE ALCOHOLIC BEVERAGES AND CANNABIS ARTICLE TO SELL ALCOHOLIC BEVERAGES FOR ON-PREMISES CONSUMPTION.
- (2) If an employer or an employee does not complete the SEXUAL HARASSMENT TRAINING AS REQUIRED UNDER THIS SECTION, THE COMMISSIONER SHALL NOTIFY THE EMPLOYER AND ORDER COMPLIANCE.
- (3) IF, AFTER RECEIVING NOTICE FROM THE COMMISSIONER, THE EMPLOYER FAILS TO COMPLY WITH THE REQUIREMENTS OF THIS SECTION

SB0823/983928/01 Amendments to SB 823 Page 7 of 9 McCray

WITHIN A TIME PRESCRIBED BY REGULATION, THE COMMISSIONER SHALL NOTIFY THE EXECUTIVE DIRECTOR OF THE ALCOHOL, TOBACCO, AND CANNABIS COMMISSION AND THE LOCAL LICENSING BOARD, AS DEFINED IN § 1–101 OF THE ALCOHOLIC BEVERAGES AND CANNABIS ARTICLE, OF THE COUNTY IN WHICH THE EMPLOYER IS LOCATED.

(H) THE COMMISSIONER SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION.";

in line 8, strike "OR" and substitute "IN THE RESTAURANT"; in line 9, after "IS" insert ":

<u>1.</u>";

and strike beginning with ", SUCH" in line 10 down through "SERVICES" in line 12 and substitute "; AND

2. REQUIRED TO RECEIVE A WRITTEN OR ELECTRONIC WAGE STATEMENT THAT SHOWS THE INDIVIDUAL'S EFFECTIVE HOURLY TIP RATE IN ACCORDANCE WITH § 3–419(D) OF THE LABOR AND EMPLOYMENT ARTICLE".

On pages 6 and 7, strike in their entirety the lines beginning with line 20 on page 6 through line 4 on page 7, inclusive.

On page 7, strike beginning with "this" in line 5 down through "State" in line 8 and substitute ", on or before November 1, 2025, the Maryland Department of Labor, in consultation with the Department of Commerce, shall report to the Senate Finance Committee and the House Economic Matters Committee, in accordance with § 2–1257 of the State Government Article, on:

- (1) <u>information about the State minimum wage required under § 3–413</u> of the Labor and Employment Article, including:
- (i) data on the State minimum wage compared to the minimum wage of other states;
- (ii) what the State minimum wage would be or would be projected to be if the minimum wage:
- 1. without regard to any statutory increases required to the minimum wage rate, were indexed to a measure of inflation, such as the Consumer Price Index, from July 1, 2019, through June 30, 2025, both inclusive; and
- <u>2.</u> <u>based on the minimum wage rate in effect on July 1, 2025, is indexed to a measure of inflation, such as the Consumer Price Index, for the period of July 1, 2025, through June 30, 2030, both inclusive; and</u>
- (iii) a comparison of the State minimum wage and the federal poverty levels in the State; and
- (2) <u>information about the tip credit applied to the wages of tipped</u> employees under § 3–419 of the Labor and Employment Article, including:
- (i) how the payment of tips to tipped employees in the State compares to states that require tipped employees, without applying a tip credit, to be paid the same minimum wage rate as nontipped employees;
- (ii) how restaurants perform financially in the State compared to the states that require the payment of a minimum wage as described in item (1) of this item; and

(iii) the proportion of compliant restaurants in the State that provide to their employees effective hourly tip rates on written or electronic wage statements as required under § 3–419(d) of the Labor and Employment Article.

#### SECTION 3. AND BE IT FURTHER ENACTED, That:

- (a) The sexual harassment prevention training requirement established under § 3–715.1(c) of the Labor and Employment Article, as enacted by Section 1 of this Act, may not be enforced until the Commissioner of Labor and Industry begins to provide sexual harassment prevention training and certifies a list of other providers of sexual harassment prevention training.
- (b) Employees of an employer who were hired before June 1, 2025, shall complete the sexual harassment prevention training required under § 3–715.1(c) of the Labor and Employment Article, as enacted by Section 1 of this Act, in person or online on or before May 31, 2027.
- (c) Each employer shall comply with § 3–715.1(f)(2)(i) of the Labor and Employment Article, as enacted by Section 1 of this Act, and distribute the policy to each employee on or before December 1, 2025";

in line 9, strike "3." and substitute "4."; strike beginning with ", subject" in line 9 down through "Act," in line 10; and strike beginning with the first "the" in line 10 down through "Maryland" in line 12 and substitute "June 1, 2025".

### WDC 2025 Testimony\_SB0823 No Tax on Tips\_3.5.25.pd Uploaded by: Virginia Macomber

Position: FAV

P.O. Box 34047, Bethesda, MD 20827

www.womensdemocraticclub.org

### Senate Bill 0823 – No Tax on Tips Bill Finance/Budget and Taxation Committees – March 5, 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 <u>SB0823</u> – 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 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 SB0823 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.

Tazeen Ahmad WDC President

Ginger Macomber WDC Working Families Subcommittee JoAnne Koravos WDC Advocacy Co-Chair

# SB823\_UNF\_MHLA.pdf Uploaded by: Amy Rohrer Position: UNF



## **Testimony in Opposition to SB 823**

No Tax on Tips Act
Finance & Budget and Taxation Committees – March 5, 2025

The Maryland Hotel Lodging Association is in strong opposition to <u>SB 823</u> due to the crippling nature it would have on our hotel members' ability to efficiently operate.

SB 823 goes far beyond eliminating the tax on tips, as it would incrementally increase the minimum wage to \$20 an hour while also phasing out the tip credit by July 1, 2028. It would also require specific disclosures related to service fees charged by a food service facility.

MHLA is opposed to all aspects of this bill except the proposed elimination of the "tax on tips" – if amended to retain the tip credit in Maryland.

In recent years the legislature, as well as various local municipalities, have passed increases to minimum wage. This has resulted in an exponential increase in both labor and related payroll expenses. Since 2018, Maryland's minimum wage has increased a staggering 49%, with a \$15.00 minimum wage taking effect January 1, 2024.

In the hotel business, positions that "start" at minimum wage are often those positions that are entry level or require little to no experience or existing skill sets at the time of employment. As minimum wage has increased, so have the wages for associates with more experience, seniority and training due to wage compression in the workforce. Therefore, as minimum wage has exponentially increased so have all the other wages upstream. This factor alone has contributed to an explosion in labor and payroll expenses, which is our industry's largest expense.

Although top-line revenue at hotels has increased over the last few years, it has not matched the level of inflation related to all the other various expenses that our members have had to absorb. In addition to the increases in labor and payroll expenses, hotels are challenged with increases in energy costs, coming into compliance with BEPS, insurance and professional expenses (cable service, trash service, pest control, landscaping, etc.) and inflationary costs due to market and supply chain factors for guest and operating supplies as well as all aspects of food and beverage supply and delivery.

The AHLA 2025 State of the Industry Report shows that hotel growth is flattening, which is alarming as property level costs continue to rise faster than revenues, making it challenging for small business hotel owners to stay open and serve guests. While we <u>urge an unfavorable report on SB 823</u>, we welcome opportunities to partner with the Maryland General Assembly on policies to help our members overcome these challenges so they can create pathways for their employees to find lasting careers and serve their guests.

Respectfully submitted,

Amy Rohrer, President & CEO

# **2025 GBCC SB 823 No Tax on Tips OPPOSE.pdf** Uploaded by: Ashlie Bagwell



## Testimony on behalf of the Greater Bethesda Chamber of Commerce

In Opposition to
Senate Bill 823—No Tax on Tips Act
March 5, 2025
Senate Finance and Budget and Taxation Committees

The Greater Bethesda Chamber of Commerce (GBCC) was founded in 1926. Since then, the organization has grown to more than 600 businesses located throughout the Greater Bethesda area and beyond. On behalf of these members, we appreciate the opportunity to provide written comments in opposition to Senate Bill 823—No Tax on Tips Act.

The Greater Bethesda Chamber of Commerce has consistently been on the record with opposing legislation that would eliminate the tipped wage, even if that change is phased in over time. Such a policy shift would have a detrimental effect on restaurants, who already operate with razor-thin margins. In addition, Maryland's restaurants continue to try and balance the challenges that come along with life post-COVID and inflation-related increases in costs. If this bill were to be enacted, many would be forced to increase menu prices and reduce staff. In fact, that is exactly what has happened in Washington, DC. A report conducted recently by the Montgomery County Office of Legislative Oversight, in surveying full-service DC restaurants and the impact of Initiative 82, found that many restaurants plan to reduce service hours, reduce menu items or, sadly, "probably close."

Senate Bill 823 also proposes raising the minimum wage in Maryland from \$15 per hour to \$20 per hour, not just for restaurant workers, but for all workers in Maryland. This would have a significant impact on businesses in the State, particularly small businesses, especially when you take into consideration the effect of wage compression. It is important not to look at things like this in a vacuum. When you take into consideration this, together with other legislative initiatives, passed or proposed, that impact a businesses' bottom line, the situation is exacerbated. This is a lot for small businesses to sustain.

We strongly believe the current tipping model in restaurants provides an opportunity for workers to earn far beyond minimum wage while never making less than minimum wage. And now is not the time to raise the minimum wage again, especially after the phase-in to \$15 per hour was recently accelerated. We urge an unfavorable vote on Senate Bill 823.

# **SB 0823 – No Tax on Tips Act- Oppose.pdf** Uploaded by: Danna Blum



Date: February 10, 2025

Finance Committee Senator Pamela Beidle 3 East Miller Senate Office Building Annapolis, Maryland 21401

Re: SB 0823 – No Tax on Tips Act- Oppose

Dear Senator Beidle:

SB 0823 will prohibit service fees being imposed by food service businesses unless the fee is prominently posted; explains what it is, what it is for, and whether it will be added to employees' wages. This notice must be seen before a customer places an order.

This appears to be an attempt to prevent food service establishments from charging a service fee to make up for the additional wages they must pay as the tip credit disappears, as this bill requires.

In the end, the food service business will be faced with increased costs and still have to report and distribute tips if received, despite any policy to the contrary.

Restaurants already operate on a very slim profit margin – often less than 5%. Additional financial burdens may well result in more business closures in Maryland. The news contains frequent stories of restaurants – both chain and private – closing. A bill such as this will only add to that number.

The Carroll County Chamber has already pointed out the serious flaws in removing tip-credits. Details can be found at <u>The Employment Policies Institute</u>.

The Carroll County Chamber of Commerce, a business advocacy organization of nearly 700 members, opposes this bill. We therefore request that you give this bill an unfavorable report.

Sincerely,

Mike McMullin

President

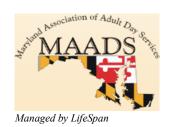
Carroll County Chamber of Commerce

CC: Delegate Chris Tomlinson Senator Justin Ready

mike mcMallin

# SB0823\_UNF\_LifeSpan, MAADS, MNCHA\_No Tax on Tips A Uploaded by: Danna Kauffman







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

**POSITION: OPPOSE** 

On behalf of the LifeSpan Network, the Maryland Association of Adult Day Services, and the Maryland-National Capital Homecare Association, we oppose the provision contained in Senate Bill 823 that increases the State's minimum wage to \$20/hour. Our collective organizations care for the State's most vulnerable elderly and disabled residents within a system that has historically been underfunded and does not adequately reimburse providers for the cost to provide care.

Unlike the previous initiative to increase the minimum wage to \$15/hour, this bill fails to provide an increase in Medicaid rates to offset the additional cost to providers. While we understand the intent of the bill, we are gravely concerned that this provision will put many senior care facilities out of business, especially home- and community-based services, which allow residents the opportunity to age at home or within their communities. Providers simply cannot incur this type of fiscal operating increase at a time when other cost items, such as electricity, insurance, and food, are increasing exponentially. Therefore, we urge an unfavorable vote on Senate Bill 823 as it relates to the increase in minimum wage.

#### For more information:

Danna L. Kauffman Andrew G. Vetter Christine K. Krone (410) 244-7000

# **SB0823\_OCChamber\_Thompson\_UNF.pdf**Uploaded by: DENNIS RASMUSSEN

3/3/2025 SB0823



## TESTIMONY OFFERED ON BEHALF OF THE GREATER OCEAN CITY MARYLAND CHAMBER OF COMMERCE

## IN OPPOSITION TO: SB0823 - No Tax on Tips Act

Before: Senate Finance Committee Hearing: 3/5/25 at 1:00 PM

The Greater Ocean City Chamber of Commerce, representing more than 700 regional businesses and job creators, respectfully **OPPOSES Senate Bill 0823** – **No Tax on Tips Act.** This legislation would prohibit, beginning July 1, 2028, employers of tipped employees from including a tip credit amount as part of the employees' wages. This bill ties this to an increase to minimum wage to \$20 per hour by July 1, 2028, as well.

This legislation would hurt the tipped worker more than anyone. Consumer behavior would shift, and these employees who rely on tips to earn significantly more than minimum wage would be earning a much lower amount. Employers, who would be saddled with paying more per employee per hour, would cut back hours for staff and shift to technology solutions to provide customer service where possible, ultimately hurting the tipped wage earner yet again.

The Greater Ocean City Chamber respectfully requests an **UNFAVORABLE COMMITTEE REPORT on SB0823**. Please feel free to contact the Chamber directly on 410-213-0144 should you have any questions.

Respectfully submitted,

Amy Thompson
Executive Director
amy@oceancity.org

**Bob 7hompson**Legislative Committee Chair
<a href="mailto:bob@t1built.com">bob@t1built.com</a>

# **SB 823\_No Tax on Tips Act\_UNFAV.pdf** Uploaded by: Grason Wiggins



#### Senate Bill 823

Position: Unfavorable Committee: Senate Finance Date: March 5, 2025

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic health and growth for Maryland businesses, employees, and families.

Senate Bill 823 (SB 823) would increase the minimum wage from \$15 to \$20 per hour by July 1, 2028, eliminate the state's tip credit, impose new disclosure requirements for service fees at food service establishments, and create a state income tax exemption for certain tipped wages while offering a limited employer tax credit. While SB 823 purports to provide tax relief to tipped employees, it introduces significant burdens on Maryland's businesses, particularly in the hospitality and service industries, by increasing the minimum wage, phasing out the tip credit, and imposing additional labor costs.

### Minimum Wage Increase

Maryland's businesses continue to grapple with inflationary pressures and the financial strain of the minimum wage increase that took effect only 13 months ago. SB 823 proposes additional wage hikes, reaching \$20 per hour by 2028, which will disproportionately impact small businesses and industries with high labor costs. Businesses across the state, especially the hospitality and restaurant sectors, which rely on a delicate balance of operational costs and consumer demand, would struggle to absorb these cost increases without passing them on to consumers through higher prices, service charges, or workforce reductions.

### **Elimination of the Tip Credit**

SB 823 proposes eliminating the tip credit, requiring restaurants to pay tipped employees the full state minimum wage regardless of their actual earnings. This drastic change would upend a compensation model that has successfully allowed tipped employees to earn well above the minimum wage. Maryland's current law ensures that tipped workers always receive at least the state minimum wage through a combination of base wages and tips. Removing the tip credit would quadruple labor costs for full-service restaurants, forcing many establishments to adopt service charges in place of traditional tipping, ultimately reducing take-home pay for employees and diminishing the incentive for exceptional customer service. Lastly, while the bill proposes a tax exemption for tips, its effectiveness would be undercut by the elimination of the tip credit, as much more of a server's earnings would come from regular wages rather than tips, making them fully taxable under Maryland law.

### **Impact on Business Climate**

Maryland's business community is committed to fair wages and economic opportunity. However, SB 823 threatens the state's competitiveness by adding unstable labor costs that could drive businesses to neighboring states with more stable wage policies. Additionally, the potential unintended consequences of replacing tipping with service charges could lead to lower employee earnings and reduced job opportunities, as has been observed in other jurisdictions that have attempted this, like D.C.

For these reasons, the Maryland Chamber of Commerce respectfully requests an <u>unfavorable</u> report on SB 823.

# **SB0823-FIN\_MACo\_OPP.pdf**Uploaded by: Kevin Kinnally



## Senate Bill 823

No Tax on Tips Act

MACo Position: **OPPOSE**To: Finance and Budget and Taxation

Committees

Date: March 5, 2025 From: Kevin Kinnally

## **Tax Incentives and Local Government Autonomy**

Counties are eager and committed partners in promoting economic growth and creating opportunity – and prefer local autonomy in determining the best way locally. The Maryland Association of Counties (MACo) opposes state-mandated reductions in local revenue sources, but county governments welcome flexible and optional tools to serve and react to local needs and community priorities.

The General Assembly routinely considers broad or targeted tax incentives to stimulate economic growth, encourage beneficial activities, or attract and retain residents. These proposals sometimes focus exclusively on the State's tax structure, but often extend to local revenues as well.

In general, MACo stands for local self-determination. Counties, led by locally elected leaders directly accountable within the communities they serve, are best positioned to govern local affairs – ranging from land use to fiscal matters. MACo steadfastly guards this local autonomy and consistently advocates against one-size-fits-all policies that override local decision-making.

State tax incentives should be enacted as "local option" offerings to allow counties maximum flexibility in tailoring local policies to meet local needs and priorities. The State and its local governments already work together here – where the State routinely grants a state-level property tax credit, enabling county governments to enact their own as a local option.

MACo urges the Committee to primarily consider state income tax credits as the best means to incorporate local tax relief as part of a broader policy. MACo and county governments stand ready to work with state policymakers to craft flexible and optional tools to deliver broad or targeted tax incentives but resist state-mandated changes that preclude local input.

# SB823 testimony Finance.pdf Uploaded by: Kirk McCauley Position: UNF





## WMDA/CAR Service Station and Automotive Repair Association

Chair: Pamela Beidle, Vice Chair Antonio Hays, and Members of Finance

Committee

RE: SB823 No tax on Tips Act

Position: :Unfavorable

My name is Kirk McCauley, my employer is WMDA/CAR, we represent service stations, convenience stores and repair facilities across the state as a non- profit trade group.

No tax on tips is not the problem, it is what is not said in name of this bill. \$20.00 hr. wages. This would be a real problem for all. Look at California, jobs loss, businesses closed, hours reduced. Ai and automation start tipping the scale and employees are polished with stainless steel cleaner, twenty employees become eight and new age equipment take orders, and cooks.

Here is an article from California Globe and report from SEIU and the results are stagging from the very union that championed this change.

SEIU Researchers Admit \$20 Wage Law Caused Fast Food Job Losses – California Globe

HB1400 is bad for employees and business and bad for Maryland's Unemployment Insurance Fund.

Please give SB823 Unfavorable report

Any questions can be addressed to Kirk McCauley, 301-775-0221 or kmccauley@wmda.net

# MBIA Letter of Opposition SB 823.pdf Uploaded by: Lori Graf Position: UNF



March 5, 2025

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

RE: MBIA Letter of Opposition SB823 - No Tax on Tips Act

Dear Chairman Korman,

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion SB823 No Tax on Tips Act. MBIA opposes the Act in its current version.

HB1400 introduces several new provisions related to wages, tips, and consumer protections for food service workers in Maryland. First, it establishes new transparency requirements for food service facilities regarding service fees, mandating that businesses must prominently disclose the amount, purpose, and whether the fee is paid directly to employees before customers place an order. The bill also progressively increases the state minimum wage, raising it to \$15 per hour starting January 1, 2024, then to \$17 per hour in 2027, \$18.50 per hour in 2028, and finally \$20 per hour beginning July 1, 2028.

The concern of the industry is the increase to the minimum wage standard, the minimum wage currently in Maryland is that passed in 2019 and took effect January 1st of this year. While we understand the cost of goods and services continue to rise, this will cause distress for small businesses and will increase the potential of raising prices, thus fueling inflation. This would then increase the prices of products and services to cover their increased labor costs.

For these reasons, MBIA respectfully urges the Committee to give this measure a un favorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the Senate Finance Committee

# **SB0823 - MTC Testimony.pdf**Uploaded by: Matt Libber Position: UNF



February 28, 2024

The Honorable Pam Beidle, Chair Finance Committee 3 East Miller Senate Office Building Annapolis, Maryland 21401

RE: SB 823 - Local Government - No Tax on Tips Act

Position: Oppose

Chairwoman Beidle and Members of the Committee,

My name is Matt Libber, and I am the Legislative Committee Chair for the Maryland Tourism Coalition (MTC). I am writing to express MTC's strong opposition to Senate Bill 823.

MTC understands the intent of this bill but believes it will have negative consequences that far outweigh the intended benefits to tipped employees. In fact, the long-term effect of this bill could mean currently tipped workers would face a reduction in income. The potential benefit of no tax on tips would not be realized because the bill's phase-out of the tip credit would effectively replace tipped income with regular wages, which would be subject to Maryland income tax.

Regarding the disclosure of service fees (a.k.a. service charges), it's important to note the difference between service charges and tips. Under federal law and IRS rules, service charges added to customer checks are part of the business's gross receipts and are not the same as tips. Restaurants may choose to distribute all or part of such service charges to employees as regular wages (not tips). The disclosure requirement in this bill seems to acknowledge that many restaurants will be forced to impose service charges to help cover the higher labor costs associated with phasing out the tip credit.

The proposed increase in minimum wage would also have a disproportional effect on restaurants as they are so labor intensive. Maryland already has one of the highest minimum wages in the country. Many of the restaurants in the state are already struggling to cover the increased labor costs due to the increase to \$15.00 that was implemented in January 2024. The rising labor cost has and will continue to cause restaurant closures throughout the state if the minimum wage is again increased rapidly as it would under this bill. Restaurants are an essential part of the tourism ecosystem of Maryland. Restaurants play a key element of the overall visitor experience. If the price of food service continues to rise due to the high labor costs it will help drive down visitation to Maryland. Lower visitation means lower economic activity and lower much needed tax revenue for the State and local jurisdictions.

Contrary to what the bill advocates claim, there is no such thing as a "subminimum wage" for restaurant tipped employees. Maryland's minimum wage law allows employers to pay tipped employees a base wage of at least \$3.63 per hour. Employers are required by law to make up any deficiencies if a tipped employee does not earn enough in base wages plus tips to make at least the full minimum wage per hour for the



workweek (currently \$15/hour under Maryland minimum wage law). Tipped employees are among the highest earners in full-service restaurants, earning much more than minimum wage with tips included.

According to federal government employment data, the District of Columbia's (D.C.) full-service restaurant sector has lost about 2,000 (6%) jobs since D.C. began phasing out the tip credit in May of 2023 after voters approved a 2022 ballot initiative. And it is expected to get worse as the tip credit there will be fully phased out by 2027. To further assess the situation, a D.C. City Council committee recently heard six hours of testimony (on 1/15/25) from City servers and bartenders about the negative impacts of phasing out the tip credit. Since restaurants are so important to the tourism, the loss of restaurant workers will further erode the visitors experience and drive them to not return to Maryland for future vacations and trips. Restaurant workers are the front-line tourism industry ambassadors and are vital to Maryland's tourism economy.

Previous Maryland proposals to eliminate the tip credit statewide or locally in Baltimore City, Prince George's and Montgomery Counties have failed to pass because of strong opposition from tipped employees and restaurant operators. Continually we restaurant workers, the ones that these types of bills are supposed to help, speaking out against them as they know they will end up making less money. These proposals are being pushed by an out-of-state activist group as part of their nationwide agenda. The workers routinely ask these activist groups who invited them to speak for restaurant workers, because they do not want this bill to pass. Maryland elected officials should reject that group's efforts to pursue their agenda at the expense of local restaurants and tipped employees who support maintaining the tip credit.

For these reasons, we respectfully request an unfavorable report.

Respectfully submitted,
Matt Libber
Legislative Chair
Maryland Tourism Coalition

# **SB823\_RestaurantAssoc\_Thompson\_UNF.pdf**Uploaded by: Melvin Thompson



#### Senate Bill 823

No Tax on Tips Act

March 5, 2025

Position: **OPPOSE** 

Madame Chair and Members of the Senate Finance Committee:

The Restaurant Association of Maryland strongly opposes Senate Bill 823.

As introduced, this legislation would significantly reduce the earnings of tipped employees and drastically increase labor costs for employers. And the potential benefit of no tax on tips would not be realized because the bill's phase-out of the tip credit would effectively replace tipped income with regular wages, which would be subject to Maryland income tax.

Regarding the disclosure of service fees (a.k.a. service charges), it's important to note the difference between service charges and tips. Under federal law and <u>IRS rules</u>, service charges added to customer checks are part of the business's gross receipts and are not the same as tips. Restaurants may choose to distribute all or part of such service charges to employees as regular wages (not tips). The disclosure requirement in this bill seems to acknowledge that many restaurants will be forced to impose service charges to help cover the higher labor costs associated with phasing out the tip credit.

With respect to the proposed increase to Maryland's minimum wage, mandates that increase the cost of labor affect the restaurant industry disproportionately. Our industry is extremely labor-intensive and requires significantly more labor per \$1 million in sales than most other industries. Maryland's \$15 minimum wage took effect in January 2024, and many of our businesses are still struggling to absorb this increase, in addition to inflation and soaring food costs. Restaurant industry labor costs have increased 31% since 2019. The minimum wage hike proposed by this legislation would exacerbate the operational challenges for our industry.

Eliminating the tip credit, as also proposed by this legislation, would quadruple labor costs for full-service restaurants. Tipped employee earnings would significantly decrease if the tip credit was eliminated because most restaurants would be forced to impose service charges on customer checks to cover the higher labor costs. Customers are unlikely to tip on top of service charges. And there would be no incentive for servers to provide the best possible customer service if they were no longer rewarded with tips. Restaurant operators may also be forced to raise menu prices and eliminate jobs.

(more)

Contrary to what the bill advocates claim, there is no such thing as a "subminimum wage" for restaurant tipped employees. Maryland's minimum wage law allows employers to pay tipped employees a base wage of at least \$3.63 per hour. Employers are required by law to make up any deficiencies if a tipped employee does not earn enough in base wages plus tips to make at least the full minimum wage per hour for the workweek (currently \$15/hour under Maryland minimum wage law). Tipped employees are among the highest earners in full-service restaurants, earning much more than minimum wage with tips included.

According to federal government employment data, the District of Columbia's (D.C.) full-service restaurant sector has lost about 2,000 (6%) jobs since D.C. began phasing out the tip credit in May of 2023 after voters approved a 2022 ballot initiative. And it is expected to get worse as the tip credit there will be fully phased out by 2027. To further assess the situation, a D.C. City Council committee recently heard six hours of testimony (on 1/15/25) from City servers and bartenders about the negative impacts of phasing out the tip credit.

Previous Maryland proposals to eliminate the tip credit statewide or locally in Baltimore City, Prince George's and Montgomery Counties have failed to pass because of strong opposition from tipped employees and restaurant operators.

These proposals are being pushed by an out-of-state activist group as part of their nationwide agenda. Maryland elected officials should reject that group's efforts to pursue their agenda at the expense of local restaurants and tipped employees who support maintaining the tip credit.

The so-called "No Tax on Tips" provision of this legislation is a misnomer because the proposed elimination of the tip credit would effectively replace tipping with service charges to cover the higher base wages for tipped employees. And as previously mentioned, most customers will not tip on top of service charges. Therefore, there would be few, if any, tips that would have otherwise been subject to State income tax. We supported legislation that focuses solely on excluding tips from State income tax. However, we do not support this legislation.

And finally, the proposed \$10,000 tax credit for employers who opt to pay full minimum wage to tipped employees (before the tip credit is fully phased out) is insignificant compared to the labor cost difference.

For these reasons, we respectfully request an unfavorable report.

Sincerely,

Melvin R. Thompson Senior Vice President

Mahie R. home

Government Affairs and Public Policy

# **SB0823\_UNF\_MSLBA\_No Tax on Tips Act.pdf**Uploaded by: Steve Wise



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:

J. Steven Wise Danna L. Kauffman Andrew G. Vetter 410-244-7000

# **SB823 Oppose OCHMRA Testimony.pdf** Uploaded by: Susan Jones



HOTEL • MOTEL • RESTAURANT • ASSOCIATION • INC.

March 1, 2025

## Senate Bill 823 No Tax on Tips Act Position: OPPOSE

#### Mr. Chairman and Members of the Economic Committee:

On behalf of the 450 Ocean City Hotel-Motel-Restaurant Association Members, I am writing to strongly oppose Senate Bill 823. This legislation would significantly reduce the earnings of tipped employees while sharply raising labor costs for employers. Any potential benefit of exempting tips from taxation would not be realized, as the bill's phase-out of the tip credit would effectively replace tipped income with regular wages, which would be subject to Maryland income tax.

When it comes to the disclosure of service fees (or service charges), it's important to differentiate between service charges and tips. According to federal law and IRS guidelines, service charges added to customer checks are considered part of a business's gross receipts and are not categorized as tips. Restaurants may choose to distribute all or part of these service charges to employees as regular wages, not tips. The disclosure requirement in this bill appears to acknowledge that many restaurants will likely be forced to introduce service charges to help offset the increased labor costs resulting from the phase-out of the tip credit.

Regarding the proposed increase to Maryland's minimum wage, mandates that raise labor costs have a disproportionate impact on the restaurant industry. Our sector is highly labor-intensive and requires more labor per \$1 million in sales than most other industries. Maryland's \$15 minimum wage, which took effect in January 2024, is still a challenge for many businesses to absorb, especially with inflation and rising food costs. Since 2019, labor costs in the restaurant industry have increased by 31%. The additional minimum wage increase proposed in this legislation would further strain the industry's operations.

The proposed elimination of the tip credit would also have a severe impact, potentially quadrupling labor costs for full-service restaurants. If the tip credit were eliminated, tipped employee earnings would drop substantially, as most restaurants would likely be forced to add service charges to customer checks to offset the increased labor costs. Customers are unlikely to tip in addition to service charges, and without tips as an incentive, servers may lose motivation to provide excellent customer service. As a result, restaurant operators could be forced to raise menu prices or cut jobs to stay afloat.

Contrary to claims made by supporters of the bill, there is no such thing as a "subminimum wage" for restaurant tipped employees. MD's minimum wage law permits employers to pay tipped employees a base wage of at least \$3.63 per hour. However, employers are legally required to make up any difference if a tipped employee's combined base wage and tips do not total at least the full minimum wage for the workweek, which is currently \$15 per hour under Maryland law. Tipped employees are among the highest earners in full-service restaurants, often making significantly more than the minimum wage when tips are included.

According to federal government employment data, the District of Columbia's (D.C.) full-service restaurant sector has lost about 2,000 (6%) jobs since D.C. began phasing out the tip credit in May of 2023 after voters approved a 2022 ballot initiative. And it is expected to get worse as the tip credit there will be fully phased out by 2027. To further assess the situation, a D.C. City Council committee recently heard six hours of testimony (on 1/15/25) from City servers and bartenders about the negative impacts of phasing out the tip credit.

Previous proposals in Maryland to eliminate the tip credit, whether statewide or locally in Baltimore City, Prince George's County, and Montgomery County, have failed due to strong opposition from tipped employees and restaurant operators.

These proposals are being pushed by an out-of-state activist group as part of their broader national agenda. Maryland's elected officials should reject these efforts, as they would undermine local restaurants and the tipped employees who support maintaining the tip credit.

The so-called "No Tax on Tips" provision in this legislation is misleading because the proposed elimination of the tip credit would effectively replace tipping with service charges to offset the higher base wages for tipped employees. As mentioned earlier, most customers are unlikely to tip in addition to service charges, which means there would be few, if any, tips subject to State income tax. While we support legislation that focuses solely on excluding tips from State income tax, we do not support this bill.

Lastly, the proposed \$10,000 tax credit for employers who choose to pay full minimum wage to tipped employees (before the tip credit is fully phased out) is minimal in comparison to the significant increase in labor costs.

For these reasons, we respectfully request an UNfavorable report.

Sincerely,

Susan L. Jones

Susan L. Jones
Executive Director

# SB823\_USM\_INFO.pdf Uploaded by: Andy Clark Position: INFO



# SENATE FINANCE COMMITTEE Senate Bill 823 No Tax for Tips Act March 5, 2025 Letter of Information

Chair Beidle, Vice Chair Hayes and members of the committee, thank you for the opportunity to provide comment on Senate Bill 823. The bill establishes consumer protections related to service fees charged by food service facilities, but more specifically, the bill raises the state's minimum wage rate.

The University System of Maryland (USM) is comprised of twelve distinguished institutions, and three regional centers. We award eight out of every ten bachelor's degrees in the State. Each of USM's 12 institutions has a distinct and unique approach to the mission of educating students and promoting the economic, intellectual, and cultural growth of its surrounding community. These institutions are located throughout the state, from Western Maryland to the Eastern Shore, with the flagship campus in the Washington suburbs. The USM includes three Historically Black Institutions, comprehensive institutions and research universities, and the country's largest public online institution.

The USM's regular-status employees are already paid wages above the \$20/hour threshold proposed by this bill. The impacts of raising the minimum wage, as proposed, would be tied to the USM's undergraduate student workers, who are often hired at the minimum wage. For example, Towson University (TU) relies heavily on student workers across multiple divisions. TU estimates the incremental cost of raising the current minimum wage to \$17/hour would be \$4.7M; to \$18.50/hour, another \$4.8M. The final increase to \$20/hour would add \$4.9M, for a total cost to TU of \$14.4M. Salisbury University (SU) would similarly be impacted. SU estimates the fiscal impact of raising the minimum wage to \$20/hour would be more than \$3M.

Most of the USM's institutions polled noted similar impacts.

Lastly, as you know, the USM's proposed budget reduction for FY26 equates to \$111 million. This is in addition to last year's cut and another mid-year cut to the FY25 budget leaves the USM down \$180 million cumulatively in FY25 and FY26. Adding additional policies at this time creates additional challenges for our campuses at an already difficult time managing budget reductions as well as the uncertainty of new policies and executive orders being imposed by the federal government.

Thank you for allowing the USM to provide this information regarding Senate Bill 823.



































# SB823\_MDCEP\_INFO.pdf Uploaded by: Kevin Slayton Position: INFO



MARCH 5, 2025

# Maryland's Minimum Wage Should Not Leave Tipped Workers Behind

## **Letter of Information Regarding Senate Bill 823**

## Given before the Finance Committee

Most Marylanders agree that working hard should leave you and your family with enough to afford the basics, and lawmakers and Gov. Moore affirmed this principle by enacting the Fair Wage Act of 2023. However, the tipped subminimum wage – a relic of racist New Deal-era compromises – forces too many workers to make do with wages that cannot support a family, let alone appropriately compensate for the hard work their jobs require.

### The Maryland Center on Economic Policy recommends passing legislation to:

- Eliminate the subminimum wage and instead guarantee tipped workers full minimum wage protection
- Require transparency regarding the distribution of restaurant service charges
- Maintain current tax policy