



Senate Bill 886

Position: Unfavorable

Committee: Senate Finance

Date: March 11, 2026

Founded in 1968, the Maryland Chamber of Commerce (“Maryland Chamber”) is a statewide coalition of more than 7,000 members working to develop and promote strong public policy that ensures sustained economic growth and opportunity for all Marylanders.

Senate Bill (“SB 886”) would impose significant costs and risks on Maryland’s economy, workers, and consumers. The Maryland Chamber opposed SB 886 for the following reasons:

Elimination of the Tip Credit Will Substantially Increase Labor Costs

Economic research indicates that reducing or eliminating the tip credit leads to reduced employment among tipped workers and higher labor costs for businesses without clear benefits to total earnings. A study from the National Bureau of Economic Research found that policies reducing tip credits tend to reduce jobs among tipped restaurant workers, and do not reliably increase earnings for remaining employees enough to offset labor cost increases.

Job Losses and Reduced Hours

Industry-focused research has projected that eliminating or significantly raising tipped minimum wages can lead to notable job losses and earnings declines for workers in the restaurant sector. For example, one analysis estimated that national implementation of a \$15 tipped minimum wage could result in hundreds of thousands of job losses and billions in lost earnings for tipped employees—effects that could be mirrored at a state level if Maryland enacts SB 886.

Economic Strain on Small Businesses Operating on Thin Margins

Full-service and independent establishments consistently operate on thin net profit margins. Eliminating the tip credit and increasing wage floors at the same time places extraordinary pressure on these businesses. Higher base wage requirements—and the resulting payroll cost increases—force employers either to raise prices, reduce hours, cut staff, or in some cases close operations entirely. When costs rise materially, restaurants and hospitality businesses frequently pass these costs on to consumers through higher prices, which will weaken Maryland’s economic growth.

Evidence From Other Jurisdictions Highlights Risk

Recent reports from jurisdictions that moved toward eliminating tipped minimum wages illustrate the real challenges facing small businesses and their workers. In Washington, D.C., an initiative to equalize tipped and non-tipped wages led some restaurant owners to report higher payroll costs,

reductions in hours, service charges, and customer resistance to price increases, prompting the local council to delay further wage increases and reconsider the policy's impact.

Industry trade groups, such as the National Restaurant Association, also highlight that eliminating the tip credit can result in fewer restaurants opening and heavier cost burdens on owners and workers alike; they report that full-service restaurant workers often earn significantly above the minimum wage already—often between roughly \$19 and \$41.50 per hour when tips are included—suggesting that a one-size-fits-all wage mandate could disrupt successful existing compensation structures.

Worker Preferences and Market Flexibility

Research and surveys have shown that many tipped employees prefer the existing system because it provides flexibility and the potential for earnings well above the base minimum wage. According to industry analysis, a strong majority of tipped workers express a preference for maintaining the tip credit system, which allows them to benefit directly from customer gratuities—often earning well above standard wage floors.

Conclusion

Maryland's business community supports fair wages and economic participation for all workers. However, SB 886's elimination of the tip credit—combined with steep minimum wage increases—poses significant risk of job losses, reduced employment opportunities, higher consumer prices, and business closures, especially among small and independent employers. Current research does not conclusively demonstrate that these changes will deliver the intended benefits to low-wage workers; in many cases, the evidence suggests trade-offs that merit careful consideration. **For these reasons, the Maryland Chamber respectfully requests an unfavorable report on SB 886.**

