

VAUGHN STEWART
Legislative District 19
Montgomery County



The Maryland House of Delegates
6 Bladen Street, Room 151
Annapolis, Maryland 21401
410-841-3528
800-492-7122 Ext. 3528
Vaughn.Stewart@house.maryland.gov

CHIEF DEPUTY MAJORITY WHIP
Government, Labor, and Elections
Committee
Vice Chair
Democratic Caucus

THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 1229

Maryland Living Wage

Living Wage for All Act of 2026

Testimony by Delegate Vaughn Stewart

February 26, 2026 | Government, Labor, and Elections

At its core, this bill does something simple and long overdue: It ensures that in Maryland, minimum wage means minimum wage.

Not “minimum wage if tips are strong.” Not “minimum wage if customers are generous.” Not “minimum wage if the employer calculates the tip credit correctly.” A wage floor should be a floor.

HB 1229 raises Maryland’s minimum wage on a phased, predictable schedule, indexes it to inflation going forward, and—most importantly—ends the tipped subminimum wage, guaranteeing that every worker receives at least the full minimum wage directly from their employer, with tips on top.

I. The Structural Problem: The Tip Credit Is a Fragile Wage System

Under federal law, employers may count tips toward their minimum wage obligation using a “tip credit,” but only if strict conditions are satisfied and total earnings reach at least the full minimum wage. (U.S. Department of Labor, Wage and Hour Division, “Tipped Employees Under the FLSA” — [dol.gov](https://www.dol.gov)). On paper, that sounds protective. In reality, it creates three structural problems.

1. It shifts a basic wage obligation from employers to customers

When an employer pays a worker \$3 or \$4 per hour and expects tips to bring them to minimum wage, the employer has effectively outsourced part of payroll to the dining public. That is not how wage floors are supposed to work. A minimum wage is meant to be:

- predictable
- enforceable
- employer-paid

The tip credit undermines all three.

2. The system only works if compliance is perfect — and the evidence shows it isn't

Opponents often say, “Tipped workers are already guaranteed minimum wage.” That is true in statute. It is not reliably true in practice. A U.S. Department of Labor investigation of nearly 9,000 restaurants between 2010 and 2012 found:

- 1,170 tip credit violations
- nearly \$5.5 million in back wages
- and wage violations in roughly 84% of investigated restaurants
(Center for American Progress summary of DOL sweep; NELP analysis of tip credit enforcement)

The tip credit is one of the most technically complex areas of wage law. It requires:

- accurate tip tracking
- correct pooling practices
- correct application of credits
- strict notice requirements

If any piece fails, the worker loses. A wage system that depends on perfect compliance in a high-turnover, low-margin industry with documented widespread violations is not a stable wage system. HB 1229 replaces that fragile structure with a simple rule: **Pay the full minimum wage. Tips are additional income.** That is easier to enforce, easier to audit, and easier for workers to understand.

3. Dependence on tips increases vulnerability to harassment and inequity

When customers effectively control whether a worker reaches minimum wage, the power imbalance grows. Research consistently links subminimum tipped wages to higher levels of harassment and economic vulnerability:

- *The Glass Floor* (Restaurant Opportunities Centers United) documents widespread harassment in tipped sectors.
- The Economic Policy Institute summarizes evidence linking customer-dependent wages to heightened harassment risk.
- The Institute for Women’s Policy Research finds tipped minimum wages exacerbate gender and racial inequities.

This is not abstract. Maryland workers have testified that when tips fluctuate, they must tolerate inappropriate behavior because their income depends on it. A wage floor should reduce vulnerability—not increase it.

II. Maryland Workers Are Living the Volatility

Consider the testimony from a Maryland casino worker:

After a policy change reduced customer interaction, tips dropped by 20%, costing her roughly \$300 in some weeks. She remains classified as a tipped worker, meaning the employer relies on the tip credit to reach minimum wage.

That is volatility built into the wage structure. A worker’s rent does not drop 20% when tips do. A grocery bill does not fluctuate based on jackpot policy. HB 1229 ensures that workers are not one slow season, one snowstorm, or one policy change away from falling below a livable income.

III. The Evidence on Jobs, Prices, and Tips

Let’s directly address the three major claims raised in opposition testimony.

A. “This will cost jobs.”

The best modern research does not support catastrophic job-loss claims.

- Dube & Zipperer (NBER Working Paper 32925, 2024) review the literature and find modest employment effects overall.
- Dube, Reich et al. (NBER Working Paper 32902, 2024) critique methodological weaknesses in some negative findings and reaffirm that credible research designs often do not detect large restaurant job losses.
- Dube, Lester & Reich (2010) found minimum wage increases raised earnings without clear job losses in contiguous labor markets.

The weight of credible evidence does not support the claim that minimum wage increases inevitably destroy employment at scale.

B. “Menu prices will explode.”

Prices may adjust modestly. The evidence suggests the magnitude is small relative to the wage gains. MacDonald & Nilsson (Upjohn Institute, 2016) find that restaurant prices rose about 0.36% for every 10% increase in the minimum wage.

That is not “enormous.” It is incremental. And HB 1229 phases in changes over years, giving businesses predictability.

C. “Servers will lose tips.”

This claim is repeated constantly. The evidence is more nuanced. A U.S. Census Bureau working paper cites payment-processor data showing average tip rates of 16.4% in no-tip-credit states and 16.3% in certain tip-credit states in the comparison year—essentially the same. Toast’s national restaurant analysis shows tips per hour increased year-over-year even in high-wage states such as California. ADP Research reports substantial pay growth for tipped workers in cities that have raised base wages, including Chicago.

Tips vary by geography and context. But there is no credible evidence that requiring employers to pay the full minimum wage eliminates tipping culture. Customers tip for service norms and expectations — not because the employer is allowed to pay \$3.63 per hour.

IV. Lessons from D.C. — and Why Maryland’s Approach Is Stronger

Opponents frequently point to Washington, D.C. Here is what actually happened: D.C. voters approved Initiative 82. The Council later paused a scheduled increase amid debate over service fees and broader post-pandemic conditions (Axios reporting, June 2025). The lesson is not that fair wages “cannot work.” The lesson is:

- Phase changes predictably.
- Provide transparency around service fees.
- Avoid consumer confusion.

HB 1229 does exactly that. It phases in the end of the tip credit over multiple years and establishes clear service-fee disclosure and distribution rules. Maryland learned from D.C. — and built a more deliberate structure.

V. Why the Constitutional Amendment Matters

This bill asks Maryland voters to affirm a principle: That every person, while engaged in employment in this State, has a fundamental right to be paid at least the minimum wage set by law — without carve-outs for tipped status. This does not freeze a dollar figure in the Constitution. It ensures that future legislatures cannot recreate a two-tier wage system that treats tipped workers as second-class.

Foundational rights belong in the Constitution. Marylanders deserve the chance to decide whether the wage floor should be universal. And placing the question on the ballot does something equally important: It forces a statewide conversation about poverty wages, enforcement failures, and economic dignity.

VI. The Core Question Before Us

The question before this Committee is not whether businesses face costs. All policy choices involve costs. The question is:

Should Maryland continue a wage system that only works when compliance is perfect and customers subsidize payroll? Or should we guarantee that every worker receives a real, enforceable wage floor directly from their employer?

HB 1229 answers that clearly. A minimum wage should mean minimum wage.

Conclusion

HB 1229:

- Raises wages predictably and responsibly
- Ends a structurally unstable tip-credit system
- Improves enforcement simplicity
- Protects workers from volatility and exploitation
- Enhances consumer transparency
- Invites Maryland voters to affirm a fundamental labor standard

For these reasons, I respectfully urge a Favorable Report on HB 1229 / SB 886.