



PUBLIC AFFAIRS
POLICY
BRIEF SERIES

POLICY BRIEF

TIP CREDIT

TIPPING IS PREFERRED BY RESTAURANTS, EMPLOYEES AND CONSUMERS

✓ Provides **incentive** for exceptional customer service

✓ Creates higher **earning potential** for tipped employees

✓ Helps restaurants with slim profit margins **recruit and retain top talent**

✓ **No state has eliminated the tip credit** in more than 2 decades

✓ The tip credit has **bipartisan support** at the local, state and federal levels

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EMPLOYEES AND CONSUMERS PREFER THE TIP CREDIT

The Raise the Wage Act of 2021 would hike the federal minimum wage from the current \$7.25 to \$15 per hour over five years and eliminate the tip credit for tipped employees who earn \$19-\$25 per hour on average.

ENDING TIP CREDIT HURTS WORKERS

Federal law requires that every employee earn at least the federal minimum wage, or the higher state or local minimum wage in 29 states and 55 municipalities. If the combination of the base wage and earned tips does not total the required minimum wage, the employer must pay the tipped employee more to make up the difference.

If the tip credit is eliminated, many restaurants would terminate tipping, raise prices to cover higher wages, and move to an hourly wage-only system. Tipped employees would likely earn less than they currently do.

ENDING TIP CREDIT HURTS RESTAURANTS AND CONSUMERS

High quality service and flexibility are hallmarks of the restaurant industry and why nearly 90% of consumers enjoy going to restaurants. Tipping is why so many employees choose restaurants as a first job, a side job for extra income, a job while in school, a second chance, or a career.

EMPLOYEES AND VOTERS OPPOSE ENDING TIP CREDIT

Recent attempts to eliminate the tip credit in Chicago, Maryland, D.C., Michigan, Virginia, New Mexico and Maine were soundly defeated after tipped workers spoke out about why they prefer the tip credit.

