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POLICY BRIEF: THE TIP CREDIT

For more than a decade, restaurants and tipped employees have fought to protect the longstanding tip wage system. **Maintaining the tip credit and tipping system provides tipped employees with greater earning potential and restaurant owners with the capability to reinvest in their non-tipped employees and business.**

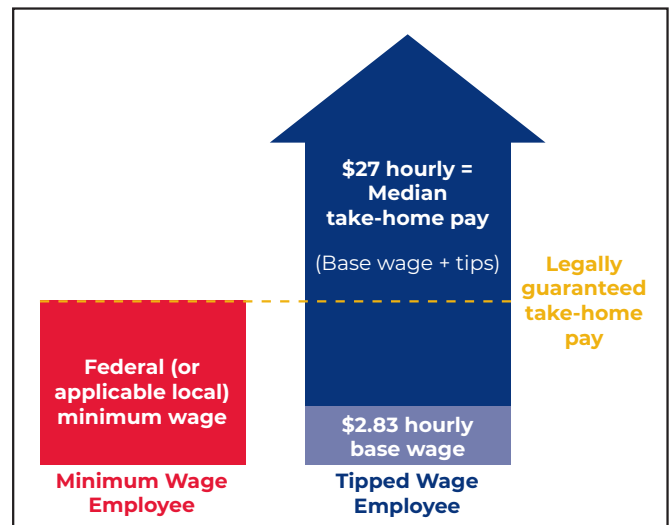
WHAT IS THE TIP CREDIT?

The Fair Labor Standards Act (FLSA) creates a **tipped wage**—a base wage on top of which tips are added—in recognition of the unique business models of fullservice restaurants.

SAFEGUARDS IN THE TIP CREDIT

If the combination of the tipped employee's base wage plus tips does not meet or exceed the local minimum wage, then the restaurant must make up the difference. So **the myth that tipped employees make less than minimum wage is simply NOT true.**

The FLSA provides strong protections for workers and ensures that **tipped employees never earn less than the local minimum wage.** Restaurants face significant financial penalties and legal repercussions if they do not pay tipped employees accurately.



According to research from the National Restaurant Association, **waitstaff at fullservice restaurants earn a median of \$27 an hour, with the highest paid tipped employees making \$41.50.**

RISKS OF REMOVING THE TIP CREDIT AND TIPPING SYSTEM

Tipping attracts potential employees to choose restaurants as a first job, side job, second chance, or a career. **The tip credit and tipping system help restaurants provide employees with jobs, training, and career advancement.**

Eliminating the tip credit and tipping system will force restaurants to switch to an hourly wage system that would ultimately reduce earnings, employee hours, and the number of employees. It also would go against the wishes of the hardworking employees and the public. Additionally, a March 2022 National Restaurant Association survey found that 75% of customers prefer the existing tipping system.

The math is simple. Ending the tip credit and tipping system are bad for employees and restaurants.

POLICYMAKERS CAN HELP EMPLOYEES INCREASE THEIR EARNINGS AND RESTAURANTS GROW THEIR BUSINESS

Tipped employees, restaurant owners, and customers have made it clear: the tip credit and current tipping system work. **The restaurant industry urges the Pennsylvania Legislature to preserve the tip credit and tipping system, which have been a driving force in creating prosperity for workers and owners.**

Keeping the tip credit and tipping system in place has bipartisan support across the country. Recent attempts to eliminate the tip credit in Chicago, Maine, Maryland, New Mexico, and Virginia were soundly defeated after tipped employees spoke out about why they prefer the tip credit system.

