
OLR Bill Analysis

sSB 60

AN ACT CONCERNING EMPLOYEE GRATUITIES.

SUMMARY:

This bill decreases the minimum wage “tip credit” for hotel and restaurant service employees (e.g., waiters and waitresses, but not bartenders) from 36.8% to 33% on January 1, 2016, and to 30% on January 1, 2017. The tip credit allows hotels and restaurants to pay service employees, who customarily and regularly receive tips, less than minimum wage, as long as tips make up the difference. In effect, the bill requires hotels and restaurants to pay their service employees at least 67% of the minimum wage in 2016 (\$6.43) and 70% of the minimum wage in 2017 (\$7.07). (By law, the tip credit will increase from its current 34.6% to 36.8% on January 1, 2015. Under PA 14-1, the minimum wage will increase from \$8.70 to \$9.15 in 2015, to \$9.60 in 2016, and to \$10.10 in 2017.)

The bill also prohibits the employers of any tipped employees from applying the tip credit if they reduce or impose a surcharge on an employee’s tips paid through a credit card transaction.

EFFECTIVE DATE: October 1, 2014

SERVICE EMPLOYEE TIP CREDIT

Table 1 shows how the bill’s decreases to the service employees’ tip credit increase the restaurant’s or hotel’s share of the service employee’s minimum wage, as long as the employee's tips make up the difference.

Table 1: The Service Employee's Tip Credit

<i>Year</i>	<i>Minimum Wage</i>	<i>Tip Credit</i>	<i>Employer's Share</i>
2014 (current law)	\$8.70	34.6% (\$8.70 x .346 = \$3.01)	\$5.69 (\$8.70 - \$3.01)

2015 (PA 14-1)	\$9.15	36.8% ($\$9.15 \times .368 = \3.37)	\$5.78 ($\$9.15 - \3.37)
2016 (PA 14-1and the bill)	\$9.60	33% ($\$9.60 \times .33 = \3.17)	\$6.43 ($\$9.60 - \3.17)
2017 (PA 14-1and the bill)	\$10.10	30% ($\$10.10 \times .30 = \3.03)	\$7.07 ($\$10.10 - \3.03)

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 7 Nay 3 (03/18/2014)