

CONNECTICUT
Restaurant
ASSOCIATION

38 Hungerford Street – Hartford, CT 06106 – www.ctrestaurant.org
Phone: (860) 278-8008

Testimony Before the Labor & Public Employees Committee
February 17, 2015

HB 5865 AN ACT CONCERNING CREDIT CARD TRANSACTIONS AND GRATUITIES

The Connecticut Restaurant Association (CRA) represents over 600 restaurants and affiliated businesses across the state. Our members range from quick serve to casual to fine dining establishments. The Connecticut hospitality industry employs an estimated 145,000 people, making up 9% of our states' workforce. Restaurants are a driving force in the state's economy and generate tremendous tax revenue.

The CRA opposes HB 5865, An Act Concerning Credit Card Transactions and Gratuities. The U.S. Department of Labor has already contemplated the issue of gratuities and credit card transactions. According to the Fair Labor Standards Act, tips are the property of the employee. Therefore, the employee is paying a service charge on their property.

For example, if a customer has a \$50 bill and tips their server \$10 (with a 3% cc processing fee) the restaurant will be charged \$1.50 and the server will be charged \$0.30.

The following is from the Wage & Hour Division of the U.S. DOL:

Credit Cards: Where tips are charged on a credit card and the employer must pay the credit card company a percentage on each sale, the employer may pay the employee the tip, less that percentage. For example, where a credit card company charges an employer 3 percent on all sales charged to its credit service, the employer may pay the tipped employee 97 percent of the tips without violating the FLSA. However, this charge on the tip may not reduce the employee's wage below the required minimum wage. The amount due the employee must be paid no later than the regular pay day and may not be held while the employer is awaiting reimbursement from the credit card company.
