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## OLR Bill Analysis

### sSB 221

#### ***AN ACT CONCERNING THE MINIMUM FAIR WAGE AND SERVICE CHARGES.***

#### **SUMMARY**

This bill phases out the state wage law’s “tip credit” provision between July 1, 2024, and July 1, 2027. The provision generally allows employers to pay certain employees who customarily and regularly receive tips less than the minimum wage, using their tips to meet the remainder of the minimum wage requirement. If the tips do not make up the difference, then the employer must cover it.

Under current law, the tip credit allows employers to pay hotel and restaurant staff as low as \$6.38 per hour (40.7% of the current \$15.69 minimum wage) and bartenders \$8.23 per hour (52.5% of the current minimum). The table below shows the bill’s phase-out schedule and percentage of the minimum wage employers must pay these employees under the bill’s revised tip credit provision. By law, the minimum wage is adjusted for inflation at the start of each new calendar year.

**Table: Tip Credit Phase Out Under the Bill**

<b><i>Effective Date</i></b>	<b><i>Percentage of Minimum Wage Employer Must Pay</i></b>	
	<b><i>Hotel and Restaurant Staff</i></b>	<b><i>Bartenders</i></b>
Current law	40.7%	52.5%
July 1, 2024	65.8%	78.2%
July 1, 2025	78.0%	88.0%
July 1, 2026	90.0%	91.8%
July 1, 2027	100%	100%

The bill also makes it an unfair or deceptive trade practice under the Connecticut Unfair Trade Practices Act (CUTPA) for a restaurant to charge a service fee to a customer without disclosing the fee’s amount and purpose before the customer orders (see “BACKGROUND”).

Additionally, the bill removes provisions that currently allow (1) employers to pay unemancipated minors (under age 18) 85% of the minimum wage for their first 90 days of employment and (2) the labor commissioner to adopt regulations on modifying the minimum wage for learners and apprentices. In doing so, the bill requires that the minors, learners, and apprentices be paid at least the full minimum wage. Current regulations allow the labor commissioner to give written permission for learners and apprentices to be paid less than the minimum wage under certain conditions (see “BACKGROUND”).

Lastly, the bill makes conforming changes that, among other things, remove a prohibition on employers displacing employees to hire minors at a sub-minimum wage.

EFFECTIVE DATE: July 1, 2024

## **BACKGROUND**

### ***Connecticut Unfair Trade Practices Act (CUTPA)***

The law prohibits businesses from engaging in unfair and deceptive acts or practices. CUTPA allows the consumer protection commissioner to issue regulations defining what constitutes an unfair trade practice, investigate complaints, issue cease and desist orders, order restitution in cases involving less than \$10,000, enter into consent agreements, ask the attorney general to seek injunctive relief, and accept voluntary statements of compliance. It also allows individuals to sue. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorney’s fees; and impose civil penalties of up to \$5,000 for willful violations and \$25,000 for violation of a restraining order (CGS § 42-110a et seq.).

### ***Learners***

Under current regulations, “learners” are students in an established vocational training program for an occupation that is not apprenticeable but has a long training period. They may be paid a sub-minimum wage for up to 200 hours in an approved training program with written permission from the labor commissioner (Conn. Agencies Regs., § 31-60-7).

***Apprentices***

Under current regulations, an “apprentice” is someone at least age 16 who is employed to learn a skilled trade in a bona fide apprentice program approved by the Connecticut State Apprenticeship Council. An employer must have permission from the labor commissioner for each apprentice paid less than the minimum wage (Conn. Agencies Regs., § 31-60-8).

***Related Bill***

sHB 5236, § 25, favorably reported by the General Law Committee, among other things, allows the Department of Consumer Protection to impose a civil penalty of up to \$5,000 for CUTPA violations, after an administrative hearing.

**COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 8      Nay 4      (03/19/2024)