



PUBLIC AFFAIRS  
POLICY  
BRIEF SERIES

# NATIONAL RESTAURANT ASSOCIATION



POLICY BRIEF: TIP CREDIT

## MAINTAINING THE TIP CREDIT AND TIPPING SYSTEM IS CRITICAL FOR EMPLOYEE EARNINGS & RESTAURANT GROWTH

✓ According to new 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**

✓ Restaurants still have not recovered nearly 800,000 jobs lost in the COVID-19 pandemic. **Maintaining the tip credit and tipping system will help restaurants grow their workforce.**

✓ 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, Michigan, New Mexico, Virginia, and Washington, D.C., were soundly defeated after tipped employees spoke out about why they prefer the tip credit system.

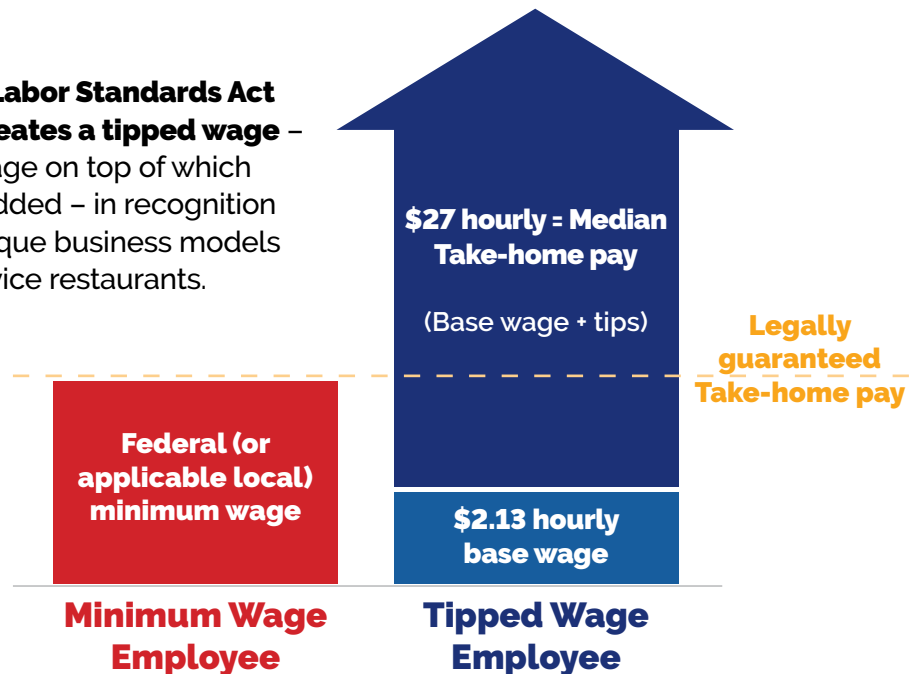
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Visit [Restaurant.org](http://Restaurant.org)

For more than a decade, restaurants and tipped employees have fought to protect the longstanding tip wage system, defeating every effort to eliminate their earning potential. **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 businesses.**

### 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.

## MAINTAINING THE TIP CREDIT AND TIPPING SYSTEM IS CRITICAL FOR EMPLOYEE EARNINGS & RESTAURANT GROWTH

### 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 would also go against the wishes of hardworking employees who strive to create exceptional customer experiences and contribute to the restaurant industry's proud diversity, as well as the public. Additionally, a March 2022 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 Congress to preserve the tip credit and tipping system, which have been a driving force in creating prosperity for workers and owners.**

