

Why A Tip Wage is Good for Oregon



- Tip wage helps protect and create future jobs
- Tip wage helps avoid unintended consequences like wage inequity
- Tip wage brings Oregon in line with the rest of the nation in how restaurants pay employees

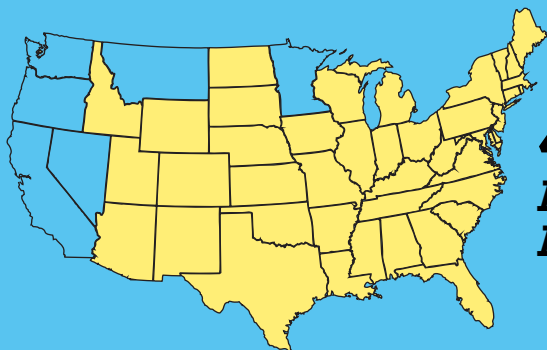
What is a tip wage?

A tip wage is the amount that tipped employees receive in hourly compensation in addition to their tip income. The IRS, all state and federal taxing entities, social security and workers compensation treat tips exactly the same as wages. Employers are liable for FICA on tips whether employees claim them or not.

Why is a tip wage needed?

Having a law that prohibits the use of commissions in the calculation of wages solely for the restaurant industry hinders growth within the industry and discriminates against an entire trade. With Oregon's high unemployment, a tip wage will help create and protect future jobs. And without a tip wage, the restaurant industry suffers and job opportunities disappear.

Every other industry in Oregon is allowed to use a wage credit today. Oregon law expressly excludes tips. Why should your local restaurant be different?



**43 STATES
ALREADY HAVE
A TIP WAGE**

[ORS] 653.035 Deducting value of lodging, meals and other benefits furnished by employer; treatment of commissions and tips. (1) Employers may deduct from the minimum wage to be paid employees under ORS 653.025, 653.030 or 653.261, the fair market value of lodging, meals or other facilities or services furnished by the employer for the private benefit of the employee.

(2) Employers may include commission payments to employees as part of the applicable minimum wage for any pay period in which the combined wage and commission earnings of the employee will comply with ORS 653.010 to 653.261. In any pay period where the combined wage and commission payments to the employee do not add up to the applicable minimum wage under ORS 653.010 to 653.261, the employer shall pay the minimum rate as prescribed in ORS 653.010 to 653.261.

(3) Employers, including employers regulated under the Federal Fair Labor Standards Act, may not include any amount received by employees as tips in determining the amount of the minimum wage required to be paid by ORS 653.010 to 653.261. [1967 c.596 §§6, 7; 1977 c.238 §3]

The Unintended Consequences of No Tip Credit

When minimum wage goes up without a tip wage, the highest wage earners get a raise.

Tipped employees are already among the highest paid hourly employees in Oregon. Wait staff are being paid minimum wage on top of their tip income, making what research suggests is over \$20 an hour. Yet almost every year tipped employees are the only employees in most Oregon restaurants that get a raise.

Lack of a tip wage does not allow employers to provide raises to those who are earning the least.

Cooks, bus persons, host staff and dishwashers who typically make just over the minimum wage are denied the opportunity for wage increases when tight labor dollars are forced to go to the highest wage-earners in the establishment, the wait staff. When employers are forced to give raises to tipped employees, it means there are simply not enough dollars in the labor budget to provide raises to the employees who are truly earning the least.

Why We Need A Tip Wage Now!

It brings Oregon in line with the rest of the nation in how restaurants pay employees:

- 43 other states have some form of a tip credit.
- Oregon and Federal tax laws recognize tips as wages for income, workers compensation and unemployment insurance.
- Every other industry that receives commissions is allowed to calculate the commissions as part of the wage (i.e. auto dealers, insurance agents, retail sales, etc.); Oregon restaurant owners want the same treatment as other small businesses.

Tip wage brings stability to the industry. A tip wage will:

- Allow for more table service restaurants instead of counter service restaurants with fewer employees and lower average wages.
- Allow long-term employees to have higher paying wages and salaried jobs.
- Allow more dollars to be spent on food preparation and increase table turn-around to improve server income.

It presents the most progressive solution in the country:

- Oregon still has one of the highest minimum wage rates in the country.
- A tip wage would NOT lower current wage levels nor would it reduce to the federal level.
- Only tips being reported by the employee to the IRS are used when calculating a tip wage.

WHAT THE INDUSTRY IS SAYING

Without tip credit, wage inequity exists between the front and back of the house and servers are unintentionally pitted against hostesses, cooks and dishwashers.

Highest Wage-Earners Get

a Raise - *“Our servers are the highest paid employees in our restaurant and they work hard to earn their tips. However, every year we are forced to give servers an increase and they already make more than the cooks and the rest of the employees in the back of the restaurant.”*

- Kiauna Floyd,
Amalfi's Italian Restaurant

No Tip Wage Means Unfair

Compensation - *“The current tipping system in Oregon and other states where the tip credit is illegal is just not fair, the way it is now makes for a very absurd inequity between the tip-earning staff and the non-tip-earning staff.”*

- Kurt Huffman,
ChefsTable Group / Loyal Legion



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