A BILL FOR AN ACT

RELATING TO MINIMUM WAGE LAW.

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

- The legislature finds that the 25-cent tip 1 (a) credit under current state law is undesirable for the following 2 3 reasons:
 - It has remained generally unchanged since it was (1)established in 1969, when the minimum wage was \$1.60, and has been eroded by inflation to 3.8 per cent of the present minimum wage;
 - It is significantly less than the federal tip credit (2) and the tip credits in a majority of other states;
 - It is counterproductive to efforts to increase the (3) wages of the lowest paid workers in businesses when tipped employees earn two to six times the minimum wage in tips per hour, as employers are mandated to increase the wages of the highest wage earners when tip income is taken into account;
 - It does not take into consideration the investment the (4)employer makes in creating the conditions that enable tipped employees to earn tips; and

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1	(5)	It creates a significant disparity in earnings ability
2		between tipped and non-tipped employees within a
3		business.

4 (b) The legislature further finds that many employers of tipped employees do not oppose increases in the minimum wage;
6 however, these employers do believe that the current tip credit is inadequate to offset these increases and seek some degree of parity with the tip credit amounts of other jurisdictions.

Accordingly, an increase in the tip credit amount will:

- (1) Enable employers to redirect savings realized from the increased tip credit to increase the pay of non-tipped employees and to make capital investments, which will ensure job opportunities for tipped and non-tipped employees and help stimulate the economy;
 - (2) Provide an incentive to employers to ensure that tipped employees report all of their tip income, which will in turn increase state tax revenues; and
 - (3) Eliminate the need to continually amend the law to increase the tip credit amount when the minimum wage is increased in the future.
- (c) The purpose of this Act is to increase the tip creditallowance to coincide with increases in the minimum wage.

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1 SECTION 2. Section 387-2, Hawaii Revised Statutes, is 2 amended to read as follows: 3 "§387-2 Minimum wages. (a) Except as provided in section 387-9 and this section, every employer shall pay to each 4 employee employed by the employer, wages at the rate of not less 5 6 than: 7 (1)\$6.25 per hour beginning January 1, 2003; \$6.75 per hour beginning January 1, 2006; and (2) \$7.25 per hour beginning January 1, 2007. 9 (3) The hourly wage of a tipped employee may be deemed to 10 (b) 11 be increased on account of tips if [the employee is paid not 12 less than 25 cents below the applicable minimum wage by the employee's employer and the combined amount the employee 13 14 receives from the employee's employer and in tips is at least 50 15 cents more than the applicable minimum wage.]: The employee is paid not less than: 16 (1)**17** 75 cents per hour below the applicable minimum (A) 18 wage beginning July 1, 2006; 19 (B) \$1.25 per hour below the applicable minimum wage 20 beginning January 1, 2007; and

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1	-	(C)	Thereafter, an amount equal to the current tip
2			credit amount plus an amount equal to any
3			increase in the minimum wage; and
4	(2)	[he	combined amount the employee receives from the
5	<u> </u>	empl	oyee's employer and in tips is at least:
6	-	(A)	\$1.00 more than the applicable minimum wage
7			beginning July 1, 2006;
8	-	(B)	\$1.50 more than the applicable minimum wage
9			beginning January 1, 2007; and
10	<u>.</u>	(C)	Thereafter, an amount equal to the current
11		•	combined amount the employee receives from the
12			employer and in tips plus an amount equal to any
13			increase in the minimum wage.
14	(c) 1	Notw	ithstanding subsection (b), an employer that
15	provides pa	aid	leave to tipped employees shall pay to each tipped
16	employee wa	ages	at the rate of not less than that provided under
17	subsection	(a)	for each hour of paid leave taken."
18	SECTIO	ON 3	. Statutory material to be repealed is bracketed
19	and stricke	en.	New statutory material is underscored.
20	SECTIO	ON 4	. This Act shall take effect upon its approval.
21	Will by	w-	INTRODUCED BY: SNJANNE CHUW O Alland
	2006-0576	SB S	INTRODUCED BY: SNJAMME CHUW O Allland MA-2.doc Once Once Only Only
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SB. NO. 2626

Report Title:

Minimum Wage Law; Tip Credit Allowance

Description:

Increases the tip credit amount from 25 cents to 75 cents in 2006, \$1.25 in 2007, and incrementally in conjunction with increases in the minimum wage thereafter. Increases the amount of combined wages and tips an employee must earn over the minimum wage for the tip credit to be applicable.