

Honolulu, Hawaii

FEB 15 2023

RE: S.B. No. 270  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Labor and Technology, to which was referred S.B. No. 270 entitled:

"A BILL FOR AN ACT RELATING TO INCOME,"

begs leave to report as follows:

The purpose and intent of this measure is to implement a phased elimination of the tip credit by January 1, 2029.

Your Committee received testimony in support of this measure from the Department of Labor and Industrial Relations; Stonewall Caucus of the Democratic Party of Hawai'i; Labor Caucus of the Democratic Party of Hawai'i; Education Caucus of the Democratic Party of Hawai'i; Hawaii Iron Workers Stabilization Fund; Hawaii State AFL-CIO; International Longshore & Warehouse Union Local 142; International Alliance of Theatrical Stage Employees Local 665; Hawaii Teamsters & Allied Workers Local 996; University of Hawaii Professional Assembly; Imua Alliance; Hawaii Stevedores, Inc.; Pride at Work - Hawai'i Chapter; Hawai'i Workers Center; Hawaii Appleseed Center for Law and Economic Justice; Unite Here Local 5; Save Medicaid Hawaii; Living Wage Hawaii; and one hundred five individuals. Your Committee received testimony in opposition to this measure from Island Business Management Hawaii, LLC; Hawai'i Restaurant Association; Chamber of Commerce Hawaii; Highway Inn, Inc.; Gyotaku Japanese Restaurants; Magics Beach Grill; and three individuals.



Your Committee finds that the tip credit authorized by section 387-2, Hawaii Revised Statutes, allows employers to pay certain employees at a rate below the state minimum wage by calculating tips as a portion of the employee's wages. In light of the discussion regarding the benefits, costs, and proper application of the tip credit, your Committee looks to balance the interests of both small businesses and employees working in the State. According to oral testimony from the Department of Labor and Industrial Relations, since the enactment of Act 114, Session Laws of Hawaii 2022, which, in part, incrementally increases the state minimum wage and the state tip credit beginning October 1, 2022, the Department has not received any complaints that report a violation of the tip credit law. However, your Committee recognizes that employees who are earning less than minimum wage are not likely to report the wage and hour law violation for fear of employer retaliation. Your Committee further finds that more time is needed for the Department of Labor and Industrial Relations to assess the effects of Act 114, Session Laws of Hawaii 2022, on the labor market before amendments may be made to the existing tip credit law.

Your Committee has amended this measure by:

- (1) Deleting language that would have implemented a phased elimination of the tip credit by January 1, 2029, and inserting language that:
  - (A) Requires the Department of Labor and Industrial Relations to submit an annual report to the Legislature on the enforcement of the wage and hour law in the State;
  - (B) Requires the Director of Labor and Industrial Relations to establish:
    - (i) Investigation standards that protect the identity of an employee who files a complaint with the Wage Standards Division to report any wage and hour violations by their employer; and
    - (ii) An education program for employees and employers on federal and state wage and hour



law, including tip credit and prohibitions against employer retaliation;

- (2) Amending section 1 to reflect its amended purpose;
- (3) Inserting an effective date of January 1, 2050, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Labor and Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 270, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 270, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Labor and  
Technology,



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SHARON MORIWAKI, Chair



The Senate  
 Thirty-Second Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Labor and Technology**  
**LBT**

Bill / Resolution No.:* <b>SB270</b>	Committee Referral: <b>LBT, WAM</b>	Date: <b>2/1/23</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
MORIWAKI, Sharon Y. (C)	✓			
LEE, Chris (VC)	✓			
IHARA, Jr., Les		✓		
KEITH-AGARAN, Gilbert S.C.				✓
FEVELLA, Kurt			✓	
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; margin-top: 10px;">  </div>				
<b>Distribution:</b> Original                      Yellow                      Pink                      Goldenrod File with Committee Report    Clerk's Office            Drafting Agency            Committee File Copy				

\*Only one measure per Record of Votes