



Before Reading Further:

This brochure only pertains to the Maryland Wage Laws, which is different from the Federal Fair Labor Standards Act.

For more information on the requirements of the Fair Labor Standards Act please visit: www.dol.gov.

For additional information on the Howard County, Montgomery County, and Maryland State minimum wage and overtime laws, contact the Employment Standards Service.



Employment Standards Service

10946 Golden West Drive
Suite 160
Hunt Valley, MD 21031
Phone: 410-767-2357

Learn more about Maryland's Wage and Hour Law by logging onto:
www.dllr.maryland.gov/labor/wages/



Understanding Maryland's Tip Credit



Helping employers understand and apply the Maryland tip credit.

What is the Maryland tip credit?

For an employee who regularly receives more than \$30 each month in tips and is informed by the employer about the tip credit provisions, an employer may apply a credit towards the hourly minimum wage due to the employee. It is the employer's responsibility to adjust the credit amount applied to ensure each employee earns at least the minimum wage for every hour worked.

Which tip credit should be applied?

Tip credit laws exist at the federal, state, and local level. Employers should apply the applicable credit that gives the employee the highest wage after the tip credit has been applied. Call the Employment Standards Service Unit at 410-767-2357 for more information.

How is a tip credit calculated?

To calculate a tip credit, subtract the required wage rate an employer must pay a tipped employee from the total minimum wage rate due and the remaining amount is the tip credit.

$$\text{Tip Credit} = \text{Minimum Wage} - \text{Required Employer Portion}$$

The required employer portion and the tip credit must equal at the least minimum wage. If an employee does not earn enough tips to meet the tip credit amount, the employer must make up the difference.

$$\text{Minimum Wage (less than or equal to)} = \text{Required Employer Portion} + \text{Tip Credit}$$

To apply a tip credit to overtime hours, use the formula above to calculate the tip credit based on a regular hour of work and then subtract the credit from the total overtime rate per hour worked.

$$\text{Required Employer Portion} = \text{Total Overtime Wage Rate} - \text{Tip Credit}$$

Restaurant Employers:....

What about...

Pooling Tips?

Pooling tips is allowed under the tip credit provision. However, the employer must first notify the employee of any tip pooling policy and can only calculate tips received based on the final amount received by the employee from the tip pool.

Dual Jobs?

The tip credit can only be applied to the worker performing tipped duties. For hours performing non-tip related duties, the employee must be paid the applicable minimum wage.

Tips Received from a Credit Card?

If an employer must pay a fee to process the transaction, the employer may subtract the fee amount for the tip from the total tip given. However, this charge may not reduce the employee's wage below the minimum wage.

Required Service Charges?

Required service charges are not considered tips. However, employers can use this revenue towards the employer's required portion of the wage payment.

