

April 7, 2025



Restaurant Association of Maryland Opposes Legislation that Eliminates or Reduces the Tip Credit

The Restaurant Association of Maryland strongly opposes City Council Bill 25-0058, which would phase out the tip credit, because of the negative consequences it would have on tipped employee earnings, restaurants, and customers.

Eliminating the tip credit would quadruple labor costs for full-service restaurants. Tipped employee earnings would significantly decrease if the tip credit was eliminated because most restaurants would be forced to impose service charges on customer checks to cover the higher labor costs. Customers are unlikely to tip on top of service charges. And there would be no incentive for servers to provide the best possible customer service if they were no longer rewarded with tips. Restaurant operators may also be forced to raise menu prices and eliminate jobs if such legislation passed.

Contrary to what the bill proponents claim, there is no “subminimum wage” for restaurant tipped employees. Maryland’s minimum wage law allows employers to pay tipped employees a base wage of at least \$3.63 per hour. Employers are required by law to make up any deficiencies if a tipped employee does not earn enough in base wages plus tips to make at least the full minimum wage per hour for the workweek (currently \$15/hour under Maryland minimum wage law). Tipped employees are among the highest earners in full-service restaurants, earning much more than minimum wage with tips included.

Previous proposals to eliminate the tip credit statewide or locally in Baltimore City, Prince George’s and Montgomery Counties have failed to pass because of strong opposition from tipped employees and restaurant operators.

According to federal government employment data, District of Columbia (D.C.) full-service restaurants have lost about 2,000 jobs (6%) since they began phasing out the tip credit in May of 2023 after voters approved a 2022 ballot initiative. In January 2025, a D.C. City Council committee heard six hours of testimony from City servers and bartenders about the negative consequences of phasing out the tip credit. Due to the record number of restaurant closures, lost jobs, and reduced earnings for tipped employees, D.C.’s restaurant industry is now asking the City Council to restore the tip credit to protect the industry and its workers from further harm.

Bills to eliminate the tip credit are being pushed by an out-of-state activist group as part of their nationwide agenda. Local restaurants and tipped employees support maintaining the tip credit. The Baltimore City Council should protect City restaurants and tipped employee earnings by soundly rejecting this legislation.

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