

## **Tip Credit – More Information Must Be Given to Workers**

Employers must now provide employees with more information before claiming a tip credit. If proper notice is not given, the employer will not be able to use a tip credit. The notice does not have to be in writing, but smart employers will want to document that they have complied with the law. A tipped employee must now be provided with the following information, before the employer takes a tip credit:

1. The amount of the cash wage the employer pays the employee, which must be at least \$2.13 per hour;
2. The additional amount the employer is using as a credit against tips received, which cannot exceed the difference between the minimum wage (\$7.25) and the actual cash wage paid by the employer to the employee;
3. That the additional amount claimed by the employer on account of tips as the tip credit may not exceed the value of the tips actually received by the employee;
4. That the tip credit cannot be applied to any tipped employee unless the employee has been informed of the tip credit provisions of the FLSA; and
5. That all tips received by the tipped employee must be retained by the employee, except for valid pooling of tips.

No maximum is placed on the percentage of an employee's tips that may be contributed to a tip pool, but employees must be advised of any required tip pool contribution amount. Employers may only take a tip credit for the amount of tips each employee ultimately receives and may not retain any of the employees' tips for any other purpose.