
A BILL FOR AN ACT

RELATING TO WAGES.

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

1 SECTION 1. The legislature finds that a tip credit is
2 applied to the wages of employees who receive tips not dictated
3 by employer policy for services rendered. The current state tip
4 credit is 25 cents, which means employers can pay their
5 employees 25 cents less than the State's minimum wage and assume
6 that the employee will make up the difference in the amount of
7 tips received.

8 The legislature further finds that the tip credit has
9 remained generally unchanged since it was enacted in 1969 when
10 the minimum wage was \$1.60.

11 Furthermore, Hawaii's current tip credit of 25 cents is
12 significantly lower than the federal tip credit of \$3.02 and the
13 tip credit in the majority of other states. In twenty-one
14 states that allow tip credits, the average tip credit employers
15 can withhold is \$3.20, which is \$2.95 more than what Hawaii
16 employers withhold from their tipped employees.

17 As prices of utilities, other overhead costs, and the
18 State's minimum wage continue to rise, it is imperative that



1 employers find another means of reducing loss without having to
2 raise prices or cut jobs, which further impacts local families.
3 An increase to the current tip credit would allow employers to
4 continue to remain in profitable business and still allow tipped
5 employees to earn wages that are equivalent to or more than the
6 State's minimum wage. The purpose of this Act is to increase
7 the tip credit by 50 cents in 2006 and 50 cents in 2007.

8 SECTION 2. Section 387-2, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "**§387-2 Minimum wages.** Except as provided in section
11 387-9 and this section, every employer shall pay to each
12 employee employed by the employer, wages at the rate of not less
13 than:

- 14 (1) \$6.25 per hour beginning January 1, 2003;
15 (2) \$6.75 per hour beginning January 1, 2006; and
16 (3) \$7.25 per hour beginning January 1, 2007.

17 The hourly wage of a tipped employee may be deemed to be
18 increased on account of tips if the employee is paid not less
19 than ~~[25]~~:

- 20 (1) 75 cents below the applicable minimum wage in 2006;
21 and
22 (2) \$1.25 below the applicable minimum wage in 2007



1 by the employee's employer and the combined amount the employee
2 receives from the employee's employer and in tips is at least 50
3 cents more than the applicable minimum wage."

4 SECTION 3. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

6 SECTION 4. This Act shall take effect upon its approval.
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INTRODUCED BY:

Mahaley, Nazawa

Calvin [Signature]

[Signature]

[Signature]

Cindy Evans

Hermes Tenaha

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]



HB 2134

Report Title:

Wages and Tips

Description:

Raises the state's tip credit to \$1.25 by 2007.

HB HMS 2005-4705

