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# A BILL FOR AN ACT

RELATING TO MINIMUM WAGE LAW.

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

1 SECTION 1. (a) The legislature finds that the 25-cent tip  
2 credit under current state law is undesirable for the following  
3 reasons:

4 (1) It has remained generally unchanged since it was  
5 established in 1969, when the minimum wage was \$1.60,  
6 and has been eroded by inflation to 3.8 per cent of  
7 the present minimum wage;

8 (2) It is significantly less than the federal tip credit  
9 and the tip credits in a majority of other states;

10 (3) It is counterproductive to efforts to increase the  
11 wages of the lowest paid workers in businesses when  
12 tipped employees earn two to six times the minimum  
13 wage in tips per hour, as employers are mandated to  
14 increase the wages of the highest wage earners when  
15 tip income is taken into account;

16 (4) It does not take into consideration the investment the  
17 employer makes in creating the conditions that enable  
18 tipped employees to earn tips; and



1 (5) It creates a significant disparity in earnings ability  
2 between tipped and non-tipped employees within a  
3 business.

4 (b) The legislature further finds that many employers of  
5 tipped employees do not oppose increases in the minimum wage;  
6 however, these employers do believe that the current tip credit  
7 is inadequate to offset these increases and seek some degree of  
8 parity with the tip credit amounts of other jurisdictions.

9 Accordingly, an increase in the tip credit amount will:

10 (1) Enable employers to redirect savings realized from the  
11 increased tip credit to increase the pay of non-tipped  
12 employees and to make capital investments, which will  
13 ensure job opportunities for tipped and non-tipped  
14 employees and help stimulate the economy;

15 (2) Provide an incentive to employers to ensure that  
16 tipped employees report all of their tip income, which  
17 will in turn increase state tax revenues; and

18 (3) Eliminate the need to continually amend the law to  
19 increase the tip credit amount when the minimum wage  
20 is increased in the future.

21 (c) The purpose of this Act is to increase the tip credit  
22 allowance to coincide with increases in the minimum wage.





# SB. NO. 2626

**Report Title:**

Minimum Wage Law; Tip Credit Allowance

**Description:**

Increases the tip credit amount from 25 cents to 75 cents in 2006, \$1.25 in 2007, and incrementally in conjunction with increases in the minimum wage thereafter. Increases the amount of combined wages and tips an employee must earn over the minimum wage for the tip credit to be applicable.

