



October 12, 2023

The Honorable Evan Glass
and Members of the Montgomery County Council
100 Maryland Avenue, Sixth Floor
Rockville, Maryland 20850

Dear Council President Glass and Members of the Council:

The Greater Bethesda Chamber of Commerce (GBCC) strongly opposes Bill 35-23, County Minimum Wage - Tipped Employees, the repeal of the tipped worker exemption. GBCC represents more than 580 employers, with an underlying membership of thousands of employees.

I urge the County Council to reject this legislation that would ultimately reduce the overall earnings of tipped employees, and harm an overstressed industry still emerging from the global pandemic.

Like all workers in our county, restaurant tipped employees **must earn** at least the full applicable minimum wage per hour in base wages plus tips. Under federal, state and local minimum wage laws, employers are required 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. There is NO subminimum wage for restaurant tipped employees. The tip credit is critical to full-service restaurants because of their labor needs and slim profit margins. If a restaurant employee reports earning less than minimum wage, I encourage you to find the gap in enforcement with that employer.

Please consider the following:

- 1) Passing this legislation and eliminating the tip credit would be **devastating** to these full-service restaurants because restaurant owners would be **forced** to raise menu prices even further and/or to impose a mandatory service charge on customer checks to offset higher labor costs.
- 2) There is no guarantee that additional menu price increases alone would cover the additional labor costs because prior substantial price increases have already reduced overall customer traffic.
- 3) Please realize this increase in costs affects not only payroll, but also adds additional administrative costs, increased taxes, and an increase in workers' compensation. We can guarantee that the majority of small and minority owned restaurants won't be able to "find" this money.
- 4) The earnings potential of tipped employees would also significantly decrease if the tip credit were eliminated because, as we know, most customers do not tip and will not tip on top of the afore-mentioned service charges, nor do restaurants expect them to. Tipped employees are among the highest earners in full-service restaurants, earning a median of \$27 per hour including tips, according to National Restaurant Association research. Servers at some restaurants can earn \$40 or more per hour including tips, and we have confirmed that number

with many of our members. Bill 35-23 would effectively be taking money away from the majority of tipped employees.

- 5) This legislation is not being requested by any restaurant owner or restaurant employee in Montgomery County. One Fair Wage, who has requested this legislation, is an organization located in Boston. They are not a local organization that knows OUR businesses and they clearly have not taken the time to understand how the minimum wage works in Montgomery County. One Fair Wage misrepresents the facts and the status of tipped restaurant workers in Montgomery County in its very mission, when it once again uses the statement “sub-minimum wage for tip workers who make less than the minimum wage before tips.” This sub-minimum wage simply does not exist here. ALL tipped restaurant workers make minimum wage, which is currently \$14.50, \$15 or \$16.70 depending on employer size, and subject to annual CPI increases, when you factor in the mandatory **\$4 an hour wage PLUS tips.**

With the above-mentioned points and other arguments, you are hearing directly from our members. Our Chamber of Commerce believes that Bill 35-23 would negatively alter the restaurant industry in the County forever and be one more closed door to opportunity and growth in Montgomery County, especially for our smaller, minority owned establishments. Therefore, we ask that the County Council listen to **OUR** local businesses, not an outside entity with its own agenda. Please vote against the repeal of the tipped worker exemption and oppose Bill 35-23.

Respectfully,



Allie Williams
President & CEO
The Greater Bethesda Chamber of Commerce