

Trump's proposed change on tips could cost N.J. workers \$120M, explained

 nj.com/data/2018/02/trumps_proposed_change_on_tips_could_cost_nj_workers_120m_explained.html

Posted February 10, 2018 at 06:45 AM | Updated February 10, 2018 at 06:48 AM

By Disha Raychaudhuri | NJ Advance Media for NJ.com

You go out for dinner and drinks on a Saturday night, pay your bill, and leave a generous tip. It makes you feel good and you go home not feeling like a cheapskate.

But do you know if it's really enough for the worker to make ends meet? Or if they were able to keep all of the money you left as tip? Do you care?

Tippling is complicated. And with a [rule proposed by the Department of Labor](#) in December, it [might get even more complex](#), and potentially unfair to [people who work for tips](#).

The rule would make it legal for employers to keep their employees' tips, as long as those employees make minimum wage.

So how exactly [does tipping work](#)? We break it down for you:

A note about the data: Averages were used for states with multiple minimum wage values broken down by specifications (Connecticut, California, New York, Nevada and Minnesota). Sources of the data include Bureau of Labor Statistics, Tax Foundation, Economic Policy Institute and Payscale.

What jobs rely most on tips?

Waiters, waitresses, bartenders, busers, bellhops, counter personnel, food servers, banquet captains -- the list is long. More formally, the Department of Labor defines a tipped employee as anyone who, on a regular basis, earns more than \$30 a month in tips.

What jobs rely on tips?



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How much does your server really earn?

It depends. According to federal laws, the minimum hourly wage is the lowest salary that employers can legally pay their employees. So all of them make at least \$8.44, which is the minimum hourly wage in New Jersey.

However, since your waiter/waitress is a tipped employee, calculating the total amount they earn can get a little tricky because their base pay is something called a minimum tipped wage, and it is not equal to the minimum hourly wage.

How is minimum tipped wage different from minimum hourly wage?

Tipped wage is the base wage that is paid to an employee who receives part of their salary from tips. Minimum hourly wage is the lowest salary that employers can legally pay their employees. Not all employees are tipped employees, hence the distinction.

An employer of a tipped employee is required to pay \$2.13 per hour in direct wages if the tip amount added to the direct wages equals or exceeds the minimum hourly wage. If the total does not amount to the minimum hourly wage, the employer is responsible for making up the difference.

However, the state allows employers to take a tip credit. This means that though the employer will not technically take away the employee's tips, they get to count some tips as if the employer had paid them directly to the employee, in order to reach the minimum hourly wage.

So employers can really pay their employees only \$2.13 and have their employees' earnings in tips make up the remaining amount that's needed to reach the minimum hourly wage, instead of letting them keep the total tip amount.

What is the minimum tipped wage and minimum hourly wage in New Jersey?

In N.J., the minimum tip wage is \$2.31 and the minimum hourly wage is \$8.60.

The maximum tip credit that can be taken against minimum wage of \$8.60 is \$6.29.

Here's a scenario to explain it: Jane Doe is a waitress at her neighborhood tacqueria. As per law, she earns the minimum hourly wage of \$8.60. One evening, she receives \$7.00 in tips in one hour. For that hour, Jane's employer can choose to pay her only \$2.31 in cash wages and credit \$6.31 from the received tips against her minimum hourly wage of \$8.60.

So the total she earns is $\$ 7.00 + \$ 2.13 = \$ 9.13$.

If her employer paid her the minimum wage in full and did not count the tips towards making that amount, she would have earned $\$8.60 + \$7.00 = \$15.60$.

In the next hour, Jane does not receive any tips. The employer then has to pay her the minimum wage of \$8.60, as required by law.

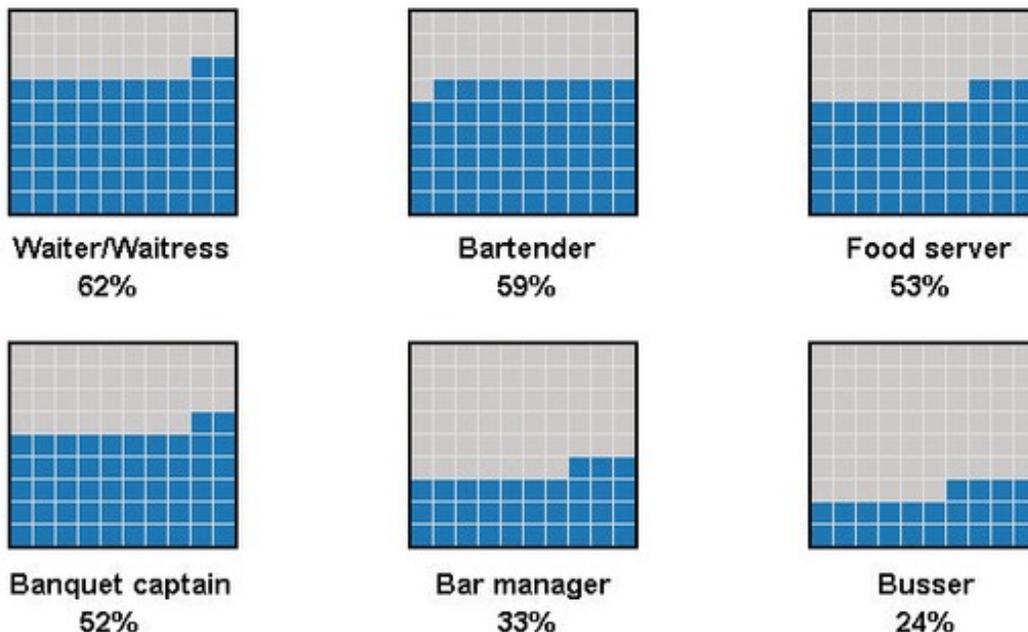
Seven states, and the territory of Guam, have the same minimum wage for both tipped and non-tipped employees. The other 42 states, including ones without state minimum wage laws, have a lower minimum wage for tipped employees.

How important is your tip to their paycheck?

Since the IRS only asks for taxable income, rather than splitting between tips and wages, it is difficult to figure out exactly how much employees earn from tips. Tips are also underreported and one reason might be that much of it comes as cash.

However, we looked at data from two years' of [surveys by Payscale](#) that calculated percentage of wage from tips at the national level, among other things. Waiters and waitresses reported 62 percent, while bartenders reported 59 percent.

Percentage of wage from tips



Source: Payscale survey

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How do tipped employees fare in N.J. versus everywhere else?

To answer that, we need to consider that the value of a dollar differs from state to state, meaning the cost of living is different across different states. The Tax Foundation [analyzed data](#) from the Bureau of Economic Analysis to calculate the relative value of \$100 in each state.

In New Jersey it's \$88.18. In other words, New Jersey is pretty expensive. But what if we adjusted values for cost of living?

We charted value of \$100 in New Jersey against minimum tipping wage and saw the New Jersey made it to the bottom left corner, because the cost of living in New Jersey is high and the state has low minimum tipping wage.

