

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

Amend the bill by striking out all of section 2 and inserting the following:

**‘Sec. 2. 26 MRSA §663, sub-§15** is enacted to read:

**15. Tip.** "Tip" means a sum presented by a customer in recognition of services performed by one or more service employees, including a charge automatically included in the customer's bill. "Tip" does not include a service charge added to a customer's bill in a banquet or private club setting by agreement between the customer and employer.

**Sec. 3. 26 MRSA §664, sub-§2,** as amended by PL 2007, c. 367, §2, is further amended to read:

**2. Tip credit.** An employer may consider tips as part of the wages of a service employee, but such a tip credit may not exceed 50% of the minimum hourly wage established in this section. An employer who elects to use the tip credit must inform the affected employee in advance and must be able to show that the employee receives at least the minimum hourly wage when direct wages and the tip credit are combined. Upon a satisfactory showing by the employee or the employee's representative that the actual tips received were less than the tip credit, the employer shall increase the direct wages by the difference.

The tips received by a service employee become the property of the employee and may not be shared with the employer. ~~Service employees may volunteer to pool their tips to be split among other service employees or may volunteer to share a part of their tips with other employees who do not generally receive tips directly from customers.~~ Tips that are automatically included in the customer's bill or that are charged to a credit card must be treated like tips given to the service employee. A tip that is charged to a credit card must be paid by the employer to the employee by the next regular payday and may not be held while the employer is awaiting reimbursement from a credit card company.

**Sec. 4. 26 MRSA §664, sub-§§2-A and 2-B** are enacted to read:

**2-A. Tip pooling.** This section may not be construed to prohibit an employer from establishing a valid tip pooling arrangement among service employees that is consistent with the federal Fair Labor Standards Act and regulations made pursuant to that Act.

**2-B. Service charges.** An employer in a banquet or private club setting that adds a service charge shall notify the customer that the service charge does not represent a tip for service employees. The employer in a banquet or private club setting may use some or all of any service charge to meet its obligation to compensate all employees at the rate required by this section.’

## SUMMARY

This amendment replaces the proposed changes in the bill regarding the tip credit for employers. The amendment defines "tip" and clarifies that a sum presented by a customer in recognition of service performed is considered a tip for the service employee even if it is automatically included in the customer's bill or charged to a credit card. It also states that a service charge included in a bill in a banquet or private

club setting is not a tip and that the customer must be notified of this, that all employees in the banquet or private club setting must be compensated in accordance with the State's minimum wage and overtime laws and that the service charge can be used to meet these obligations. The amendment further clarifies that tip pooling is a valid practice as described by federal laws and regulations.