



## Before Reading Further:

This brochure only pertains to the Maryland Wage and Hour Law, which is different from the Federal Fair Labor Standards Act.

For more information on the requirements of the Fair Labor Standards Act please visit:  
[www.dol.gov](http://www.dol.gov)

For additional information on the Prince George's County, Montgomery County, and Maryland State minimum wage and overtime laws, contact the Employment Standards Service (DLLR).



Department of Labor, Licensing and Regulation  
Division of Labor and Industry  
Employment Standards Service

Address:  
1100 N. Eutaw St. Room 607  
Baltimore, MD 21201

Phone: 410-767-2357  
email: [ess@dllr.state.md.us](mailto:ess@dllr.state.md.us)

## Maryland Wage and Hour Law: Tip Credit



Helping employers understand and apply the Maryland tip credit .



Learn more about Maryland's Wage and Hour Law by going to:

<http://www.dllr.maryland.gov/labor/wages/wagehrfacts.shtml>

## What is the tip credit?

For an employee who regularly receives more than \$30 each month in tips and is informed by the employer about the tip credit provisions, an employer may apply a credit towards the hourly minimum wage due to the employee. It is the employer's responsibility to adjust the credit amount applied to ensure each employee earns at least the minimum wage for every hour worked.

## Which tip credit should be applied?

Tip credit laws exist at the federal, state, and local level. Employers should apply the applicable credit that gives the employee the highest wage after the tip credit has been applied. Call the Employment Standards Service Unit for more information.



## How is a tip credit calculated?

To calculate a tip credit, subtract the required wage rate an employer must pay a tipped employee from the total minimum wage rate due and the remaining amount is the tip credit.

**(Minimum Wage) - (Required Employer Portion) = Tip Credit**

The required employer portion and the tip credit must equal at the least minimum wage. If an employee does not earn enough tips to meet the tip credit amount, the employer must make up the difference.

**(Required Employer Portion) + (Tip Credit) = Minimum Wage or greater**

To apply a tip credit to overtime hours, use the formula above to calculate the tip credit based on a regular hour of work and then subtract the credit from the total overtime rate per hour worked.

**(Total Overtime Wage Rate) - (Tip Credit) = Required Employer Portion**

## What about...

### Pooling Tips?

Pooling tips is allowed under the tip credit provision. However, the employer must first notify the employee of any tip pooling policy and can only calculate tips received based on the final amount received by the employee from the tip pool.

### Dual Jobs?

The tip credit can only apply to the hours an employee performed in the tipped occupation. For hours performing non-tip related duties, the employee must be paid the applicable minimum wage.

### Tips Received from a Credit Card?

If an employer must pay a fee to process the transaction, the employer may subtract the fee amount for the tip from the total tip given. However, this charge may not reduce the employee's wage below the minimum wage.

### Required Service Charges?

Required service charges are not considered tips. However, employers can use this revenue towards the employer's required portion of the wage payment.