

**File Number:** H.F. 4061 **Date:** April 13, 2018  
**Version:** The delete everything amendment (H4061DE2)  
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**Subject:** Two-tiered minimum wage for tipped employees  
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The bill creates a minimum wage category for certain tipped employees. Under the bill, an employer must pay an employee, who regularly receives tips of at least \$30 per month, one of two alternative minimum wages depending upon the amount of tips the employee receives during a work week.

For large employers—those with annual gross receipts of \$500,000 or more: (1) if, during a workweek, the employee earns sufficient tips so that the combined average hourly base wage rate plus any tips is \$14 per hour or more, the base wage rate is \$9.65 per hour; (2) if the combined average hourly amount is less than \$14 per hour, the wage rate is the higher of the Minnesota or federal minimum wage.

For small employers—those with annual gross receipts less than \$500,000: if, during a workweek, the employee earns sufficient tips so that the combined average hourly base wage rate plus any tips is \$12 per hour or more, the base wage rate is \$7.87 per hour; (2) if the combined average hourly amount is less than \$12 per hour, the wage rate is the higher of the Minnesota or federal minimum wage.

The bill indexes the combined average hourly amounts of \$12 and \$14 to inflation, so they would increase over time using the same mechanism that increases Minnesota's minimum wage over time. The bill does not index base wage rates of \$9.65 and \$7.87 to inflation, so those would remain the same. Because Minnesota's minimum wages for large and small employers are currently \$9.65 and \$7.87, respectively, the bill would not have any substantive effect until January 1, 2019, when those amounts are scheduled to increase for inflation.

The bill repeals the prohibition on tip credits in current law.