

# Tip Credit

**WRA Position:** Employers should be allowed to credit tips as wages. Alternatively, employers should receive a credit against their B&O taxes equal to the state and federal taxes paid by Washington employers on tip revenue.

## Suggested Talking Points

- Restaurants in Washington state can't credit tips as wages, yet are obligated to pay federal payroll taxes on tip revenue.
- The lack of a tip credit, combined with the increasing minimum wage in Washington state, makes it difficult for restaurants to create and retain jobs.

**Background:** In the 1980s, the Department of Labor & Industries administratively ruled that tips cannot be treated as wages. Employers, however, must pay federal payroll taxes on tips, putting Washington restaurants at a distinct disadvantage. Additionally, Washington is the only state without a tip credit because of an administrative ruling, instead of a state law and is one of only seven states that does not allow for some form of tip credit.

**Current Situation:** It is doubtful the Legislature will consider reforms to allow for tip credit or policies impacting minimum wage. The WRA will continue to educate legislators and the Administration on the impact of both issues to the restaurant industry, and its ability to hire and retain workers.