



### #1 Understanding the prevailing minimum wage

In this example, there is no tip credit applied. The full proposed \$15/hour would be paid by the employer to the tipped worker.

### # 2 Understanding Standard Tip Credit

In this example, the employer would pay the tipped worker \$9.65/hour (state minimum wage for large employers) and \$5.35 of the worker’s total \$7.35 hourly tips would be credited as payment toward the proposed \$15/hour minimum wage, resulting in \$2.00 in “take home tip.” Employers are required to supplement the wage of the employee if the tipped worker does not earn enough tips to meet the \$15/hour wage.

### #3 Understanding the Tip Credit with Super Wage

In this example, we arbitrarily selected a “super wage” (or “guaranteed wage”) rate of \$20/hour to illustrate this concept.

Jane, a tipped worker, is paid the proposed minimum wage of \$15/hour by the employer. If Jane earns \$4.99/hour or less in tips, this is not enough to trigger the super wage rate of \$20. Therefore, the employer cannot claim any of Jane’s tips as payment toward the \$15/hour minimum wage. She gets paid \$15/hour from her employer and she gets to keep her \$4.99 in tips.

If Jane earns more than \$5/hour in tips, however, she triggers the \$20/hour super wage threshold, which permits the employer to pay Jane the \$9.65/hour state minimum wage and can claim \$5.35/hour of Jane’s tips as payment towards the \$15/hour.