#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.