

Once, Twice, Gone: After Two Ballot Initiatives, D.C.'s Minimum Wage Tip Credit Set to Be Phased Out

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A five year long saga appears to be coming to a close as Washington D.C.'s alternative minimum wage for tipped employees is set to begin phasing out in May 2023. Under the [new D.C. law](#), the minimum wage for tipped workers will rise incrementally until July 1, 2027, when their base wage will equal the minimum wage for other D.C. workers. D.C. joins seven other states that have eliminated the lower minimum wage for tipped employees – including Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington State.

Most often associated with restaurant servers, the so-called “tipped minimum wage” allows employers to pay tipped employees a lower rate while taking a tip credit to cover the difference between the lower rate and D.C.'s minimum wage. Currently, the tipped minimum wage in D.C. is \$5.35 per hour. Employers can credit up to \$10.75 per hour of the employee's tips to meet the D.C. \$16.10 per hour minimum wage.

The years-long movement to eliminate the tipped minimum wage in D.C. met initial success in June 2018 when D.C. voters [passed Initiative 77](#), providing a single minimum wage for all employees. However, in October 2018, the D.C. Council [passed legislation](#) that repealed Initiative 77, maintaining the status quo.

In November 2022, D.C. voters overwhelmingly approved of Initiative 82, a revived ballot measure increasing minimum wage for tipped employees. The political will to keep the tipped minimum wage seems to have evaporated since 2018 as the D.C. Council has not moved to repeal Initiative 82. Indeed, the only snag to the implementation of Initiative 82 was caused by the congressional leadership kerfuffle at the beginning of January as the D.C. Council was unable to send legislation, including Initiative 82, to Congress for review – a necessary step under the Home Rule Act. Because of this slight snafu, the D.C. Council approved, and the Mayor signed, legislation setting the beginning of the phase-out in May 2023, a delay of several months.

The phase-out is scheduled to decrease the tip credit employers can take in six steps – initially raising the minimum regular wage for tipped workers to \$6 per hour on May 1, 2023, then \$8 per hour on July 1, 2023, then additional \$2 per hour increases each year until July 1, 2027, when it will match the minimum wage for all D.C. workers. Thereafter, there will be no differentiation between the minimum wage for tipped workers and other D.C. workers, and the minimum wage will rise

accordingly over time for all employees. While this will undoubtedly increase labor costs for employers in D.C., employers may choose to cover the increased labor costs through service charges or other fees.

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