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District of Columbia Tip Credit Elimination Act Increases Cash Wage for Tipped Employees



The first phase of the District of Columbia Tip Credit Elimination Act of 2021 became effective May 1, 2023.

The Tip Credit Elimination Act, which was passed by voters in the District of Columbia in November 2022 as Initiative 82, will phase out Washington, D.C.'s tip credit for employers with employees who receive tips by 2027. To achieve this, the act provides that the minimum cash wage for tipped employees will gradually increase as the maximum tip credit available to employers decreases.

As of May 1, 2023, the first step toward elimination of the tip credit has taken effect, with the minimum cash wage being raised from \$5.35 to \$6.00, and the maximum tip credit being reduced from \$16.10 to \$10.10.

This initial adjustment was originally scheduled to go into effect on January 1, 2023, but was postponed by the D.C. City Council after Congress's delayed leadership selection affected congressional review of the initiative. The next scheduled adjustment is set to take place on July 1, 2023, when the minimum cash wage will increase to \$8.00, and the maximum tip credit will be reduced to \$8.10. From that point forward, the corresponding changes to the minimum base wage and maximum tip credits will take place each year on July 1 until the maximum tip credit is completely phased out on July 1, 2027.

Employers in the District of Columbia with employees who receive tips should contact experienced counsel with any questions about the act's implementation.

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