

CITY OF FLAGSTAFF OFFICE OF LABOR STANDARDS

The Tipped Employee

INTRODUCTION:

The Office of Labor Standards is providing this document as a useful guide to help employees and employers understand Flagstaff's minimum wage for tipped employees.

Provided, you will find examples of how tipped employees should be paid under Flagstaff's minimum wage law.



Tip credit (cash wage) is the hourly rate

SITUATION 1

EXJ LLC pays J. Kell \$2.50 below the minimum wage rate. If J. Kell works 40 hours making \$340 plus an extra \$150 in tips totaling \$490 for the week. EXJ LLC does not have to pay J. Kell any more wages because J. Kell has made more than the hourly minimum wage (\$12.00) for all hours worked (\$12.25 p/h).

SITUATION 2

LT's Burger Shack applies a \$1.00 tipped credit for employee H. If tipped Employee H works 15 hours they make \$165.00 plus an extra \$15 in tips totaling \$180.00. LT's Burger Shack does not have to pay tipped employee H any more wages because tipped employee G has made enough money to equivalent the Flagstaff minimum wage (\$12.00 p/h).

SITUATION 3

Joe's Pizza Guy applies a tip credit of \$3.00 on Employee B. Employee B worked 28 hours for the workweek making \$252.00 with no tips. Joe's Pizza Guy must pay tipped Employee B an extra \$84.00 to be at the hourly minimum wage of \$12.00 for all hours worked.

SITUATION 4

Outward Veggie Place applies a tip credit of \$3.00 for Employee D. Employee D worked 26 hours making \$234.00 plus an extra \$50 totaling \$284.00 (\$10.92 p/h). At the end of the workweek, Outward Veggie Place must pay tipped Employee D an extra \$28 to be at the hourly minimum wage of \$12.00.

"In 2019, tipped employees can be paid up to a max of \$3.00 per hour less than the Flagstaff's hourly minimum wage of \$12.00 p/h (Cash Wage). All tips retained plus hourly rate (cash wage) totaled together for each workweek must be no less than \$12.00 p/h

SITUATION 5

J's Subs applies a tipped credit of \$2.00 for Employee J. Employee J worked 36 hours making \$360.00 plus an extra \$25 in tips totaling \$385.00 (\$10.69 p/h). J's Subs must pay tipped Employee J an extra \$47.00 to be at the \$12.00 p/h hourly minimum wage.

"Employees must retain all tips earned and employees must be advised in writing of the tipped wage provisions within the ordinance. "

“If employee doesn’t make at less the minimum wage, the employer must make up the difference per the ordinance in situations 3, 4 and 5.”

TIPPED WAGE SCHEUDLE

Start Date	Min. Wage	Credit	Cash Wage P/H
July 1, 2017	\$10.50 p/h	\$3.00	\$7.50 p/h
January 1, 2018	\$11.00 p/h	\$3.00	\$8.00 p/h
January 1, 2019	\$12.00 p/h	\$3.00	\$9.00 p/h
January 1, 2020	\$13.00 p/h	\$3.00	\$10.00 p/h
January 1, 2021	\$15.00 p/h*	\$3.00	\$12.00 p/h
January 1, 2022	\$15.50 p/h*	\$2.50**	\$13.00 p/h
January 1, 2023+	Consumer Price Index	\$2.00**	TBD

Or \$2.00 above State min. wage

*** Reduces by \$.50 each year until eliminated in 2026***

*** An employer can choose up to the maximum tip credit***
