
**Labor & Workplace Standards
Committee**

HB 1623

Brief Description: Prohibiting deductions for credit card transaction processing fees from employee tips.

Sponsors: Representatives Obras, Fosse, Ortiz-Self, Parshley, Goodman, Macri, Donaghy, Hill, Stonier, Taylor, Berry, Santos, Peterson, Ramel, Gregerson, Reed, Farivar, Reeves, Bergquist, Kloba, Duerr, Ryu, Simmons, Cortes, Thomas, Street, Davis and Salahuddin.

Brief Summary of Bill

- Prohibits employers from using any portion of a tip, gratuity, or service charge to cover the cost of credit card processing fees.

Hearing Date: 2/5/25

Staff: Benjamin McCarthy (786-7116).

Background:

Washington Minimum Wage Act.

Employers covered under the state Minimum Wage Act are required to pay their employees no less than the state minimum wage rate. The Department of Labor and Industries adjusts the state minimum wage rate for inflation each year (the current minimum wage is \$16.66 per hour). Employers must pay employees all tips, all gratuities, and certain service charges. These amounts do not count towards the employee's hourly minimum wage.

Credit Card Processing and Transaction Fees.

Credit card companies charge merchants a percentage of the total transaction as a processing fee. These fees can include interchange fees that are paid to the bank that manages the credit

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card used to make the payment; assessment fees that are paid to card networks, like Visa or Mastercard; and payment processing fees that are paid to the company that manages processing card payments for merchants, like Square or Clover. These fees typically range from 1.5 to 3.5 percent of the total payment.

Employers may deduct from tips, gratuities, and service charges to cover the proportional cost of the processing fee being charged on the tip, gratuity, or service charge. For example, if a \$10 tip is processed by a company that charges a 1 percent transaction fee, the employer can deduct 10 cents from the tip to cover that portion of the fee.

Summary of Bill:

Employers may not deduct any portion of an employee's tips or gratuities to pay for credit card processing fees.

Appropriation: None.

Fiscal Note: Requested on January 30, 2025.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.