

HOUSE BILL REPORT

HB 1623

As Reported by House Committee On:
Labor & Workplace Standards

Title: An act relating to prohibiting deductions for credit card transaction processing fees from employee tips.

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 History:

Committee Activity:

Labor & Workplace Standards: 2/5/25, 2/14/25 [DP].

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.

HOUSE COMMITTEE ON LABOR & WORKPLACE STANDARDS

Majority Report: Do pass. Signed by 6 members: Representatives Berry, Chair; Fosse, Vice Chair; Scott, Vice Chair; Bronoske, Obras and Ortiz-Self.

Minority Report: Without recommendation. Signed by 3 members: Representatives Schmidt, Ranking Minority Member; Ybarra, Assistant Ranking Minority Member; McEntire.

Staff: Benjamin McCarthy (786-7116).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

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 banks that manage credit cards; assessment fees that are paid to card networks, like Visa or Mastercard; and payment processing fees that are paid to companies that process 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: Available.

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

Staff Summary of Public Testimony:

(In support) This protects tipped workers to make sure they can make ends meet. The practice of deducting from tips to cover processing fees has increased; this equates to a wage cut for low wage workers. Workers don't have to pay for other operating costs; this adds a quasi-tax.

(Opposed) Tips are not wages, they are the sole property of employees. Interchange fees are charged by the card company, not the employer. This issue does need to be addressed; the burden should not be moved from employees to employers.

Persons Testifying: (In support) Representative Edwin Obras, prime sponsor; and Stefan Moritz, Unite Here Local 8.

(Opposed) Julia Gorton, Washington Hospitality Association.

Persons Signed In To Testify But Not Testifying: None.