



Informational Sheet: Minimum Wage Tipped Employees

The Improved Workforce Opportunity Wage Act, Public Act 337 of 2018, as amended, allows employers to take a tip credit on minimum wage under certain conditions for those employees who customarily and regularly receive tips. This information sheet is intended to summarize the requirements for taking a minimum wage tip credit. The statutory provisions covering tip credit can be found at MCL 408.934d of the Michigan Compiled Laws. Anyone interested in information on the minimum wage tip credit should consult the statute for the complete text.

The state’s minimum wage rate also applies to certain employees in federally covered businesses because the state rate for those employees is higher than the federally required rate.

The following conditions apply to taking a tip credit on the state minimum wage rate:

- The employee is in a position which customarily and regularly receives gratuities from a guest, patron, or customer for services rendered to that guest, patron, or customer.
- If the gratuities plus the minimum hourly wage rate under subsection 4d do not equal or exceed the minimum hourly wage otherwise established under section 4, the employer pays any shortfall to the employee.
- The gratuities are proven gratuities as indicated by the employee's declaration for federal insurance contribution act, 26 USC 3101 to 3128 purposes.
- The employee was informed by the employer of the provisions of section 4d, MCL 408.934d.
- If a credit is taken for gratuities received by an employee, then the employment records shall contain for each pay period in which the credit was taken a written statement of the amount of gratuities received by the employee. The statement shall be signed by the employee and dated before the date the paycheck was received.

The minimum hourly rate of pay for a worker subject to tip credit provisions is:

| Effective Date | Minimum Hourly Wage Rate | Tipped Employee Minimum Hourly Wage Rate | Provided Reported Tips Per Hour Average At Least |
|-----------------|--------------------------|--|--|
| January 1, 2023 | \$10.10* | \$3.84* | \$6.26* |
| January 1, 2024 | \$10.33* | \$3.93* | \$6.40* |
| January 1, 2025 | \$10.56* | \$4.01* | \$6.55* |

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Tipped employees working overtime must be paid at least 1½ times the employee's regular rate of pay:

| Effective Date | Minimum Hourly Wage Rate for Overtime Hours | Provided Reported Tips Per Hour Average At Least: |
|-----------------|---|---|
| January 1, 2023 | \$8.89* | \$6.26* |
| January 1, 2024 | \$9.10* | \$6.40* |
| January 1, 2025 | \$9.29* | \$6.55* |

*An increase in the minimum hourly wage rate as prescribed in subsection (1) does not take effect if the unemployment rate for this state as determined by the Bureau of Labor Statistics, United States Department of Labor, is 8.5% or greater for the calendar year preceding the calendar year of the prescribed increase. An increase in the minimum hourly wage rate as prescribed in subsection (1) that does not take effect pursuant to this subsection takes effect in the first calendar year following a calendar year for which the unemployment rate for this state as determined by the Bureau of Labor Statistics, United States Department of Labor, is less than 8.5%.

The method to calculate the amount of tips an employee receives per hour is as follows:

- Total tips for the week (or pay period) are divided by the total hours worked in the week (or pay period).

Employers who violate the minimum wage provisions through improper tip credit are subject to payment of minimum wages, liquidated damages, costs, reasonable attorney fees, and a civil fine of up to \$1,000.00.

For more information visit our website at www.michigan.gov/wagehour or call our office toll free at 1-855-4MI-WAGE (1-855-464-9243).

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