

Starting in 2020, All Wages to Tipped Workers in D.C. Must Go Through Payroll Vendors

By Hayes Edwards

SUMMARY: Along with saving the “tip credit” from repeal by voters, the 2018 DC Tipped Wage Workers bill imposed some new rules on companies, including one taking effect on January 1, 2020 that mandates all wages paid to tipped workers be processed by third-party payroll processors.

When the DC Council passed the Tipped Wage Workers Fairness Amendment Act of 2018, much of the coverage focused on its repeal of Initiative 77 (which would have removed the “tip credit” and required minimum wage for tipped workers). Although the Act did rescue the tip credit (for better or worse), it introduced a host of new requirements on employers.

Many of these items have already taken effect, including enhanced levels of notice to employees and reporting to the District government. On January 1, 2020, all employers of tipped employees will be required to use third-party payroll processors—ending the current situation where employers can process payroll themselves so long as they make the required quarterly reports to the DC government. Critically, this provision applies to all employers who have any tipped workers, regardless of how few.

Designed to improve accountability and transparency, this provision might come as a surprise to some business owners who are not preparing to adapt, or whose business model favors in-house payroll processing. Along with utilizing a payroll processor, employers should be mindful of any existing violations that will now be brought to light. The roll-out of this new requirement is a great time for employers to take a comprehensive look at their practices and make sure they are compliant with wage/hour and wage payment standards. Legislators are seeking to prevent wage/hour violations by passing harsh laws, but all too often employers only learn about those requirements once a claim is brought against them—and the consequences can be dire.

If you have any questions regarding your wage-payment or payroll practices, contact the employment attorneys at Paley Rothman. We would welcome the opportunity to work with your business to assess any potential exposure and recommend new policies.