

Tips and tipped pay

Easy · 15 min · Free

YOU'LL NEED

- ☐ Your pay stubs
- ☐ A daily record of your tips: a notes app works
- ☐ Your state's tipped wage, from the Labor Department table

WHAT TO KNOW

- 1 **Know the federal floor.** A tipped employee regularly gets more than \$30 a month in tips. The employer must pay at least \$2.13 an hour in cash wages and can count up to \$5.12 of your tips toward the \$7.25 minimum wage.
- 2 **Check the weekly math.** Your cash wage plus tips has to reach at least \$7.25 an hour each workweek. If it doesn't, the employer must make up the difference on payday.
- 3 **Look up your state.** When state law is more protective, the employer has to follow it. Alaska, California, Minnesota, Montana (for businesses with more than \$110,000 a year in sales), Nevada, Oregon and Washington require the full state minimum wage before tips, and many others require more than \$2.13; see the DOL's state table.
- 4 **Know who can share your tips.** Managers and supervisors can't keep any part of your tips, even through a tip pool. If you're paid less than \$7.25 an hour in cash, a required tip pool can include only workers who normally get tips, like servers, bussers and bartenders, not cooks or dishwashers.
- 5 **Check card tips.** Your employer may take out only what the card company actually charges, for example 3%, and must pay you the tip by the regular payday.
- 6 **Keep a daily tip record and report it.** If you get \$20 or more in tips in a month at one job, give your employer a report by the 10th of the next month. Under \$20? You don't report it to the employer, but it's still income on your tax return.

Watch out A mandatory service charge, like 15% added to the bill, isn't a tip under federal law, and the business can use it toward your wages. Also, when an employer takes the tip credit, deductions for walkouts, breakage or register shortages are illegal if they push you below minimum wage.

DAD NOTE Write your tips down every shift, even the bad ones. That little note is what lets you prove a short paycheck, and it makes tax time painless.

Full lesson: aptkeys.com/work/your-first-weeks-on-the-job/tips-and-tipped-pay/

Checked October 3, 2026. Sources: U.S. Department of Labor; Internal Revenue Service.