Introduce By: Representatives Blazejewski, Keable, Handy, Tanzi, and Bennett

Date Introduced: February 15, 2012

Referred To: House Labor

It is enacted by the General Assembly as follows:

SECTION 1. Title 28 of the General Laws entitled "LABOR AND LABOR RELATIONS" is hereby amended by adding thereto the following chapter:

CHAPTER 14.1

PREVENTION OF TIPPING FRAUD

28-14.1-1. Legislative purpose. – The general assembly declares that the purpose of this chapter is to prohibit employers from demanding payment or deductions from a tip or service charge to waitstaff, regulate tip pools, and require that any service charge imposed by an employer be remitted to the service staff. No employer or person shall contract with an employee or by any other means exempt itself from this chapter.

28-14.1-2. Definitions. – Whenever used in this chapter:

(1) “Employer” means any person or entity engaged in any business or enterprise in this state that has employees in its service, including, without limitation, any appointment, contract of hire or apprenticeship, expressed or implied, oral or written, irrespective of whether the person is the owner of the business or is operating on a concessionaire or other basis, and also including, without limitation, any manager as defined herein.

(2) “Patron” means any person who is served by a waitstaff employee or service employee at any place where such employees perform work, including, but not limited to, any restaurant, banquet facility or other place at which prepared food and/or beverages are served, or any person who pays a tip or service charge to any waitstaff employee, service employee or
“Service bartender” means a person who prepares alcoholic or nonalcoholic beverages for patrons to be served by another employee, such as a waitstaff employee.

“Service charge” means a fee charged by an employer to a patron in lieu of a tip to any waitstaff employee, service employee or service bartender, including any fee designated as a service charge, tip, gratuity or a fee that a patron or other consumer would reasonably expect to be given to a waitstaff employee, service employee or service bartender in lieu of, or in addition to, a tip.

“Service employee” means a person who works in an occupation in which employees customarily receive tips or gratuities, and who provides service directly to customers or consumers, but who works in an occupation other than in food or beverage service and who is not a manager.

“Tip” means a sum of money, including any amount designated by a credit card patron, a gift or a gratuity, given as an acknowledgment of any service performed by a waitstaff employee, service employee or service bartender; “tip” does not include any amount collected by an employer for a charitable organization as described in section 501(c)(3) of the Internal Revenue Code.

“Waitstaff employee” means a person, including a waiter, waitress, bus person, and counter staff, who: (i) Serves beverages or prepared food directly to patrons or who clears patrons’ tables; (ii) Works in a restaurant, banquet facility or other place where prepared food or beverages are served; and (iii) Who is not a manager.

“Manager” means a person who has or is delegated, from time to time, the authority to hire or discharge any employee.

Quick Service Restaurants’ means any establishment selling food or beverages, where products are served to patrons primarily over a sales counter or a drive up window sales point, where there is a minimal or no direct service to patrons seated at tables, and where employees are paid at least the minimum required hourly wage for non-service employees pursuant to federal and state law.

28-14.1-3. Prohibition on payment or deduction from tip. – No employer or other person shall demand, request or accept from any waitstaff employee, service employee or service bartender any payment or deduction from a tip or service charge given to such waitstaff employee, service employee or service bartender by a patron. An employer that permits patrons to pay tips or service charges by credit card shall pay the employee the full amount of the tip or service charge that the patron indicated on the credit card slip minus no more than the prorated
portion of the tip or service charge assessed by the credit card company and banks for processing
the transaction, or four percent (4%) of the tip or service charge, whichever is less. No such
employer or other person shall retain or distribute in a manner inconsistent with this chapter any
tip or service charge given directly to the employer or person.

28-14.1-4. Prohibition against tip pools. – No employer or person shall cause, require
or permit any waitstaff employee, service employee or service bartender to participate in a tip
pool through which such employee remits any wage, tip or service charge or any portion thereof,
for distribution to any person who is not a waitstaff employee, service employee or service
bartender. An employer may administer a valid tip pool and may keep a record of the amounts
received for bookkeeping or tax reporting purposes.

28-14.1-5. Service charges and tips. – (a) If an employer or person submits a bill,
invoice or charge to a patron or other person that imposes a service charge or tip, the total
proceeds of that service charge or tip shall be remitted only to the waitstaff employees, service
employees or service bartenders in proportion to the service provided by those employees.
(b) Nothing in this section shall prohibit an employer from imposing on a patron any
house or administrative fee in addition to or instead of a service charge or tip, if the employer
provides a designation or written description of that house or administrative fee, which informs
the patron that the fee does not represent a tip or service charge for waitstaff employees, service
employees or service bartenders.
(c) Any service charge or tip remitted by a patron or person to an employer shall be paid
to the waitstaff employee, service employee, or service bartender no later than the time set forth
for timely payment of wages under chapter 28-14-2.2.

not apply to quick service restaurants as defined in section 28-14.1-2.

28-14.1-7. Violation and penalties. – (a) Whoever violates this chapter shall be guilty of
a misdemeanor punishable by a fine not exceeding one thousand dollars ($1,000) or by
imprisonment for not exceeding sixty (60) days, or both. Any person or employer who violates
this chapter shall make restitution for any tips accepted, distributed or retained in violation of this
chapter, together with interest thereon at the rate of twelve percent (12%) per annum.
(b) An employee claiming to be aggrieved under this section may, within three (3) years
after the violation, institute and prosecute in his or her own name and on his or her own behalf, or
for himself or herself and for others similarly situated, a civil action for injunctive relief, for any
damages incurred and for any lost wages and other benefits. An employee so aggrieved who
prevails in such an action shall be awarded treble damages, as liquidated damages, for any lost
wages and other benefits and shall also be awarded the costs of the litigation and reasonable
attorneys’ fees.

SECTION 2. This act shall take effect on January 1, 2013.
EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
AN ACT
RELATING TO LABOR AND LABOR RELATIONS

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1 This act would prohibit employers from demanding payment or deductions from a tip or
2 service charge given to waitstaff, regulate tip pools, and require that any service charge imposed
3 by an employer be remitted to the service staff.
4 This act would take effect on January 1, 2013.

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