Tip pooling: A guide for employees

What's new: Back of the house can now benefit from mandatory tip pools.

On March 23, 2018, Congress passed legislation that repealed the rule that barred certain employers from setting up tip-pooling arrangements where tipped employees can share tips with their non-tipped colleagues. The Department of Labor has since confirmed the change.

This means employees who do not traditionally receive direct tips, such as restaurant cooks and dish washers, can now participate in mandatory tip pools.

However, supervisors, managers and owners are not allowed to benefit from a mandatory tip pool. Contrary to some media reports, tips in Washington state have always been the property of employees. So while an employer can implement a mandatory tip pool, owners and managers are prohibited from retaining your tips for themselves.

Common questions:

Are service charges affected?
No. Service charges are subject to different laws and rules.

Does my restaurant have to adopt this?
No. Your restaurant gets to decide which gratuity model is best: mandatory tip pool, voluntary tip pool, service charge or other option.

Do I have to share with kitchen staff?
It depends. Talk with your manager or owner. You must share your tips if your restaurant has a mandatory tip pool that requires (as a condition of employment) that some of the tip pool benefits the back-of-the-house staff members.

If my manager gets tipped directly by a customer while waiting a table or bartending, can she or he keep those direct tips?
Yes.

How much do I have to tip out?
The law does not define how much you should tip out back-of-house team members. Check with your owner or manager to learn the policy for your restaurant.

*This guide is only provides general guidance. If you need tax advice, check with a tax advisor.
Does this change how I report tips?

No. You are still required to keep a record of your tips. IRS Form 4070A is an example of a daily tip record form. If you do not use this form, you must keep other reliable proof, including copies of bills and credit card charge slips, showing tips. If you participate in a tip pool and tip out to others, you only report the tips you keep. If you receive tipped-out amounts from a tip pool, you must record receipt of those amounts as tips. Check with your employer. It may have tools available and it also may have its own tip reporting rules. For more information on IRS tip reporting rules, see IRS Publication No. 1244.

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