

Tip Pooling Compliance Checklist

Use this checklist to ensure your tip pooling practices comply with federal and applicable state labor laws. Proper management of tips protects your business from fines and builds trust with your employees.

Step 1: Verify Eligibility for Tip Pooling

Employees Who Can Participate

- Tipped employees, such as servers, bartenders, and bussers.
- Back-of-house staff **only if allowed by state law** (federal law excludes them unless otherwise specified).

Employees Who Cannot Participate

- Owners, managers, and supervisors.
- Non-tipped employees unless state law explicitly permits it.

Step 2: Calculate Minimum Wage Compliance

Tipped Employee Wages

- Confirm tipped employees earn at least the federal or state minimum wage (e.g., \$7.25/hour under federal law) when combined with tips and base pay.

Tip Credit Compliance

- Ensure the tip credit taken by the employer does not exceed the federally allowed amount (e.g., \$5.12/hour) or state-specific thresholds.
- Verify employees' total tips each shift to meet or exceed minimum wage requirements.

Step 3: Set Up Transparent Tip Pooling Policies

Written Policy

- Create a clear, written policy detailing:

- Who participates in the pool.
- How contributions and distributions are calculated.
- The purpose of the pool.

Employee Notification

- Notify all tipped employees about the policy in writing.
- Have employees sign an acknowledgment of the policy.

Step 4: Maintain Accurate Records

Tip Distribution Records

- Record all contributions to and distributions from the tip pool.
- Document employee names, amounts contributed, and amounts received.

Payroll Integration

- Ensure all tip earnings and distributions are reflected in payroll records.
- Retain records for the legally required time (e.g., three years under federal law).

Step 5: Avoid Prohibited Practices

No Management Participation

- Verify managers and supervisors do not participate in the tip pool.

No Wage Deductions

- Ensure tips are not used to cover shortages, breakages, or other business expenses.

Full Distribution of Tips

- Confirm all tips are distributed to employees without any portion retained by the employer (except for valid tip credit purposes).

Step 6: Conduct Regular Compliance Audits

Policy Review

- Update tip pooling policies annually or when labor laws change.

Employee Feedback

- Periodically check with employees to ensure tip pooling practices are fair and transparent.

Correct Violations Promptly

- Address any discovered violations and adjust payroll records to compensate affected employees.

Legal Disclaimer

This checklist is for informational purposes only and does not constitute legal advice. Labor laws and regulations are subject to change and may vary depending on location. Employers are encouraged to consult with a qualified attorney or HR professional to address specific compliance needs and ensure adherence to all applicable federal, state, and local laws.

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