



How To Avoid Lawsuits From Tipped Employees

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Andria Ryan's July 10, 2014 article "How to avoid lawsuits from tipped employees" was featured on *Hotel News now*.

In January, the IRS implemented new guidelines for tips and service charges. Employers must understand the guidelines to effectively manage employees and avoid lawsuits.

- Employers must withhold payroll taxes from the tip amount reported.
- Employers must, on a weekly basis, ensure a tipped employee earns at least minimum wage.
- Some states forbid the use of tip credit; others impose significant record keeping and notice requirements.

Hospitality employers are easy targets for wage and hour lawsuits and government payroll audits. The laws are complex, so hospitality employers must be diligent about compliance and record keeping.

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