

Illinois' Legislature Seeking to Eliminate Illinois' Statewide Tip Credit by January 1, 2025

Labor & Employment Law Update

By Kevin Kleine on February 19, 2024

On Friday, February 9, 2024, Illinois' General Assembly introduced legislation to eliminate the tip credit in Illinois by January 1, 2025. If passed, ALL Illinois employers will be required to pay ALL their employees at least the applicable minimum wage, including employees who earn or receive tips and gratuities. This would mean that Illinois employers would no longer be able to credit the tips and gratuities their tipped employees receive towards paying them minimum wage starting on January 1, 2025.

The proposed legislation would be a 'statewide' elimination of the tip credit by January 1, 2025 because it proposes to preempt Illinois' home rule. Illinois' home rule allows local municipalities, like the City of Chicago for example, to operate independently from the Illinois State Legislature and Governor, by giving them the ability to govern themselves and pass their own laws that are not affected by Illinois state laws – unless a state law explicitly preempts home rule, meaning it doesn't matter what a similar local law says or requires because the state law applies and governs over the local law.

Home rule preemption is a critical and important aspect of this proposed legislation because the Chicago City Council passed the One Fair Wage Ordinance on October 6, 2023, which gradually phases out Chicago's tip credit over a five-year period until it is completely eliminated by June 30, 2028. If this proposed state law passes, then the tip credit will be eliminated in the City of Chicago on January 1, 2025 – and not gradually over a five-year period by June 30, 2028 as required by the One Fair Wage Ordinance. For more information about Chicago's One Fair Wage Ordinance, please read our blog on this topic.

The introduction of this legislation is a significant development because it will greatly impact the industries and business' that rely on and employ tipped workers, particularly Illinois' restaurants and bars. If passed, customers and patrons of businesses with tipped workers will see higher prices and be paying more for products and services. This will undoubtedly lead to understaffing, longer wait times and business closures across Illinois in affected industries.

Stay tuned for more information, as we will provide updates on any future developments!

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