



CHOW FUN FOOD GROUP

March 27, 2024

The Honorable Arthur J. Corvese
Chairman, House Committee on Labor
Rhode Island State House
82 Smith Street
Providence, RI 02903

Re: *Opposition to H 7531*

Chairman Corvese and Members of the House Labor Committee,

As the President of Chow Fun Food Group (Ten Prime Steak & Sushi, Xaco Taco, Harry's Bar & Burger and Oz Taco's & Tequila all located in Providence and Lincoln) I am writing to express my opposition to H 5731, which would eliminate the tipped minimum wage.

There is a reason people choose tipped restaurant jobs : they know the economics are in their favor. Tipped workers take these jobs for the earning potential.

The median full-service restaurant tipped worker makes nearly \$29.00/hour in Rhode Island. In my restaurant, that number can go up to \$60 plus per hour.

The Tip Wage credit elimination would devastate the restaurant business and cost over \$750,000 in increased payroll expenses and taxes. There is an additional .14 cents per dollar in payroll taxes for every dollar paid out. That's an additional \$14,000 on every \$100,000 in payroll

expenses. If my 51 servers worked 30 hours per week- at just a \$10 per hour raise- it would cost my company over \$795,000. This dwarfs the profits made by my company annually. This bill would directly put me out of business, and force me to layoff over 160 employees.

No tipped worker ever makes less than the prevailing minimum wage for any hour they work. Historically, when tip credit has been eliminated, the level of consumer tipping has dropped because of menu price increases or imposition of house service fees.

The last thing consumers want are increase menu prices. With food already at an all-time high in cost, why would you do this to Rhode Islanders?

You may think by eliminating the tip credit you will be helping employees, but it will drastically change their earnings. The elimination of the tip credit will drastically change one of the fundamental business models in the industry, forcing me to quickly make changes in how we operate and force us to find ways to bear the cost of \$10.11 more per hour for each tipped employee. This does not include the additional payroll costs such as workers' compensation and other costs that are directly related to payroll.

Every employee makes more than minimum wage already.

The elimination of tip credit could be a catastrophe for our industry. I respectfully ask that you oppose H 7531. Thank you for your consideration.

Sincerely,

Harrison Elkhay
Providence