

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 owner of Siena Restaurants located in East Greenwich and Smithfield, RI I write to express my opposition to H 7531, 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 as high as \$50-60 per hour.

The tip credit elimination would be negatively felt in my businesses in several different ways. First, it would cause me to raise prices significantly. This would create a serious decrease in the patronage of my customer base. It would, in turn, cause a financial hardship on my business making it hard for me to be able to stay profitable. Second, this would create a system of “flat rate” or “hourly” pay for most service professionals. Restaurants would be forced to either pay significantly higher hourly rates and/or must charge “house fees” to guests that are added to a guest’s bill at the end of the meal. It would marginalize the hospitality service in our State. It will degrade the art of service and talented front-of-the-house staff wouldn’t have the passion to upsell and make for a better experience. Last, it will force many restauranteurs and service professionals out of the restaurant and hospitality industry. This is a major force in the State of Rhode Island, a State that is known for its great food scene and restaurants. Over the last 5 years my restaurants, and many of the others in the State, have been greatly affected by increases in labor cost, cost of goods sold, insurance, utilities, rent and many other business expenses. The elimination of the tax credit would be the last straw for many of us in this industry. And as I look forward to the next 3-5 years, I feel that I would simply close my doors instead of running at break even or a loss.

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.

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 to 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.

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,

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