

## Transcript: Tipped Employees Overtime Rules

**Eric Jones:** Hi everybody, and welcome to this month's insight beyond payroll. My name's Eric Jones and this is my partner, [Chilah Weller](#).

**Chilah Weller:** Hey everyone!

**Eric Jones:** Chilah, what are we going to talk about today?

**Chilah Weller:** Today, we are going to talk about tipped employees and how to handle them from a payroll perspective.

**Eric Jones:** So, we have a lot of clients that are restaurant owners, for example, they have tipped employees that get paid a wage less than the Michigan, we're going to talk about Michigan today, the Michigan minimum wage of 9 dollars and 45 cents. ([UPDATE: Effective Jan 1st, 2021, Michigan's minimum wage is 9.65 an hour](#)) They could be making anywhere from 3 dollars and 59 cents, all the way up to 9 dollars and 44 cents, and be considered a tipped employee. Now, I'm going to use an example of an employee that's getting paid 4 dollars an hour. So, they have to have a tip credit of at least 5 dollars and 45 cents in order to meet that minimum wage of 9 dollars and 45 cents. Now, what happens when that person works over 40 hours in a week? You have to pay them overtime. Are you calculating overtime correctly? The normal overtime calculation is 1.5 times their base rate. So with a 4 dollar employee, of course, that's 6 dollars, right?

**Chilah Weller:** Wrong.

**Eric Jones:** That's wrong. What actually you have to do is what's the actual minimum wage overtime rate. So that's 9 dollars and 45 cents times 1.5. That rate is actually 14 dollars and 18 cents. Now, you're telling me I have to pay them 14 dollars and 18 cents? Yes, but no. What you actually do is take that 14 dollars and 18 cents, minus that tip credit of 5 dollars and 45 cents, and you actually come up with a minimum overtime rate of 8 dollars and 73 cents.

**Chilah Weller:** Wow! That's a whole lot to remember, Eric!

**Eric Jones:** And I had to look at my screen to remember some of these numbers!



**WORKFORCE  
PAYHUB**  
INSIGHT BEYOND PAYROLL



**Chilah Weller:** We have a solution for you. When you're utilizing our [payroll processing system](#), we have an automated tipped wage employee calculator, that will be able to take care of everything that Eric just so eloquently went through, automatically for you.

**Eric Jones:** And, on top of that, don't we also do something about minimum wage makeup?

**Chilah Weller:** We do do something about minimum wage makeup! So, if that tipped wage employee, combined with their tips and hourly rate, did not actually make the 9.45 an hour, we have an automated generator that will make up to that point of minimum wage.

**Eric Jones:** If this is something that you need help with, or you need to go over these numbers again, don't hesitate to give us a call at 517 759 4026, or shoot us an email at [info@workforcepayhub.com](mailto:info@workforcepayhub.com).

**Chilah Weller:** Thanks for joining!

**Eric Jones:** Thanks!

**(Gag Reel)**

**Eric Jones:** Hey everyone, welcome to this month's insight beyond payroll. My name's Eric Jones, this is my partner, Chilah Weller.

**Chilah Weller:** Hey everyone!

**Eric Jones:** Hey Chilah, what are gonna talk about today?

**Chilah Weller:** Today, we have an awesome presentation about...nothing. Because I...what am I supposed to say?