

Backgrounder on Happy Hour and Tipped Minimum Wage

Happy Hour

[H.417 would authorize happy hour in Vermont.](#) The bill was introduced in 2023 and referred to the House Committee on Government Operations and Military Affairs. H.417 has not yet received a hearing.

Vermont, which is one of eight states to outlaw Happy Hour. Under current law, Vermont establishments can't reduce drink prices for a limited time, but they can reduce them for an entire day. Vermont establishments can't reduce drink prices for a limited time, they can reduce them for an entire day.

Vermont is joined by Alaska, Indiana, Massachusetts, North Carolina, Rhode Island and Utah in [banning happy hour](#), nine other states have a variety of restrictions on the time and manner that drink specials may be offered. Within states, some municipalities may have their own restrictions. Some examples of similar restrictions include prohibiting offering free or discounted drinks, unlimited drinks, drinks as a prize or as a type of promotion, advertising the prices of drinks or offering more than two drinks to an individual at a given time.

The reasoning behind the states' ban on Happy Hour is to "discourage binge drinking" and the social problems associated with binge drinking, including drunk driving.

Tipped Minimum Wage

[H.225 would eliminate the tipped minimum wage in Vermont.](#) The bill was introduced in 2023 and referred to the House Committee on Housing and General Affairs. H.225 has not yet received a hearing.

It has been about 80 years since the passage of the Fair Labor Standards Act (FLSA), the legislation that established many of the basic labor protections workers enjoy today, such as a 40-hour workweek, overtime protection, and a national minimum wage. There have been periodic amendments to the FLSA over the years, but the 1966 amendments were especially significant. They extended protections to hotel, restaurant, and other service workers who had previously been excluded from the FLSA, but also introduced a new "subminimum wage" for workers who customarily and regularly receive tips. Unlike temporary subminimum wages (such as those for students, youths, and workers in training), the "tip credit" provision afforded to employers uniquely established a permanent sub-wage for tipped workers, under the assumption that these workers' tips, when added to the sub-wage, would ensure that these workers' hourly earnings were at least equal to the regular minimum wage. The creation of the tip credit—the difference, paid for by customers' tips, between the regular minimum wage and the sub-wage for tipped workers—fundamentally changed the practice of tipping. Whereas tips had once been simply a token of gratitude from the served to the server, they became, at least in part, a subsidy from consumers to the employers of tipped workers. In other words, part of the employer wage bill is now paid by customers via their tips.

In Vermont, the tipped employee wage applies to an employee of a hotel, motel, tourist place, or restaurant who regularly and customarily receives more than \$120 per month in

Backgrounder on Happy Hour and Tipped Minimum Wage

tips for direct and personal customer service. In 2023, [the tipped minimum wage is \\$6.59/hour](#).

Eight states have eliminated the tipped minimum wage entirely – Oregon, Washington, California, Nevada, Alaska, Hawaii, Montana and Minnesota. Washington D.C is in the process of phasing it out.

Pros and Cons

[Here](#) is a good discussion of the pros and cons of getting rid of the tipped minimum wage.

[Here](#) is an article discussing why we should abolish the tipped minimum wage.

[Here](#) is an article discussing why we should keep the tipped minimum wage.