



Minimum Wage in Illinois

As of July 1, 2008, the Illinois minimum wage increases .25 to \$7.75. The chart below details the yearly increase dates and their corresponding wage rates.

Date of Increases	7/1/2008	7/1/2009	7/1/2010
Minimum Wage	\$7.75	\$8.00	\$8.25
Tip Credit**	40%	40%	40%
Tipped Wage	\$4.65	\$4.80	\$4.95
Overtime Wage	1.5x	\$ 1.5x	1.5x
Overtime Wage Rate	\$11.63	\$12.00	\$12.38
Tipped Overtime Wage Rate	\$8.53	\$8.80	\$9.08

** The Minimum Wage law allows for a 40% tip credit for those employees that receive tips as part of their regular wages. This credit can also be applied to the overtime rate of pay. For example, when an employee works overtime, you multiply their regular pay rate of \$7.75 x 1.5 (time and a half), which equals a wage rate of \$11.63 for non-tipped employees. For tipped employees the overtime rate of \$11.63 is reduced by the straight time tip credit of \$3.10, which equals an overtime rate of \$8.53. **Keep in mind that tips plus wages must equal or exceed the minimum wage.**

Also keep in mind that the new law allows for a “**teenage training wage**” to be paid to those between the ages of 16-18 years old. This wage is \$0.50 less than the minimum wage and remains permanent until the employee reaches the age of 18. There is also an “**adult training wage**” that is \$0.50 less than the minimum wage but this lasts for only the first 90 days of employment.

Tips on Tipped Employees

How do I calculate the “tip credit”?

Tips plus wages paid must equal or exceed the minimum wage. The tip credit amount cannot exceed 40% of Illinois’ straight minimum wage. Therefore, the tip credit amount cannot exceed \$3.10. Thus an employer must pay tipped employees at least \$4.65 per hour. Tip credit \$3.10 + tipped wage rate of \$4.65 = minimum wage of \$7.75 (see chart above for annual increases to the minimum wage). The minimum wage \$3.10 tip credit is applied to the \$11.63 overtime wage rate as well to make an overtime wage rate of \$8.53.

Can I deduct the credit card processing fee from my tip payouts?

If the employer pays the credit card company a processing service fee, the employer may deduct this amount from the tip payout. For example, if the credit card company charges 2% on charged sales as a service fee, the employer need only pay the server 98% of the charged tip.

What are the rules regarding when to distribute credit card tips?

If tips are charged on a credit card, the employer must distribute these tips to the employee no later than the next regular payday. The employer may not delay distributing tips until reimbursement by the credit card company, even if receipt of the funds by the employer are delayed by the credit card company.