

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Department of Employment Services

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HOW TO COMPUTE OVERTIME PAY WHEN A TIPPED EMPLOYEE WORKS OVERTIME

The absolute minimum rate an employer may pay an employee who earns gratuities is \$4.45 per hour. The overtime rate is half of the **full minimum wage plus the employee's regular rate of pay**. Since the minimum wage increased to \$14.00 on July 1, 2019, the overtime rate of pay for an employee earning \$4.45 is $\$4.45 + \$7.00 = \underline{\$11.45}$.

In this example, the formula is: **Tipped Rate + ½ of the (applicable) full Minimum Wage = Tipped Overtime Rate**

For example, a tipped employee earning \$4.45 tipped rate worked 42 hours in one week. The total pay is calculated as follows: $\$4.45 \times 40 \text{ hours} = \178.00 ; $\$11.45 \times 2 \text{ hours} = \22.90 ; $\$178.00 + \$22.90 = \underline{\$200.90}$ total wages due.

Another example is an employee earning \$5.15 per hour. The overtime rate is calculated as follows: $\$5.15 + \$7.00 = \underline{\$12.15}$ overtime rate.

If an employee works at two or more rates, overtime is computed based upon the weighted average as follows: Total gross pay divided by total hours worked equals the weighted average. Since all straight-time hours have been paid at the two separate rates, additional half-time pay is required when in excess of 40 hours is worked in a workweek. Hence, one half of the new regular rate (the weighted average) multiplied by the total number of overtime hours worked equals the additional pay required by law.

The following is an example of an employee working at two different rates.

An employee works as both a waiter, at \$4.45 per hour, and host, at \$15.00 per hour. He works 25 hours as a waiter, ($25 \times \$4.45$ equals \$111.25), and 25 hours as a host, ($25 \times \$15.00$ equals \$375.00). The weighted average between both rates is derived by multiplying \$14.00 (the full minimum wage) by 25 hours, which equals \$350.00. Add \$350.00 to \$375.00 and that equals \$725.00, which you then divide by the total number of hours worked, 50, and you get the weighted average of **\$14.50**. Since all straight-time hours have been paid, the additional half-time rate required to be paid is **\$7.25** ($1/2$ of \$14.50) multiplied by 10 overtime hours equals an additional \$72.50 to be paid, for a total payment of \$558.75.

If a tipped employee works at various tipped rates, the employer simply pays the additional overtime premium by multiplying the total number of hours worked in excess of 40 by $1/2$ of the **full minimum wage** and the result is the additional premium pay due the employee as explained in the following example.

An employee works 12 hours as a waiter earning \$4.45/hour ($\4.45×12 hours = \$53.40), 30 hours as a bartender earning \$5.50/hour ($\5.50×30 hours = \$165), and 10 hours as a busboy earning \$8.00/hour ($\8.00×10 hours = \$80). The premium pay for the overtime is \$14.00 (the full minimum wage) divided by 2 = **\$7.00** --the rate of pay for the additional half-time due the employee for the overtime hours worked. The employee worked a total of 52 hours so the employee must be paid $\$7.00 \times 12$ overtime hours = \$84.00 (the half-time due the employee). The total remuneration for the employee is \$382.40.

*Remember: All categories of pay must be itemized on both the payroll record and the employee's itemized wage statement (pay stub)—the regular rate/regular hours worked/regular gross wages; the overtime rate/overtime hours worked/overtime gross wages. Do not combine both sets of hours together and do not combine both sets of wages together. This same rule applies to any additional pay, e.g., holiday pay, vacation pay, sick pay. Different types of pay must always be itemized.