

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Department of Employment Services

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From July 1, 2018 to June 30, 2019 HOW TO COMPUTE OVERTIME PAY FOR A TIPPED EMPLOYEE

The absolute minimum rate an employer may pay an employee who earns gratuities is \$3.89 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 \$13.25 on July 1, 2018, the overtime rate of pay for an employee earning \$3.89 is $\$6.63 + \$3.89 = \underline{\$10.52}$.

For example, a tipped employee earning \$3.89 service rate worked 42 hours in one week. The total pay is calculated as follows: $\$3.89 \times 40 \text{ hours} = \155.60 ;
 $\$10.52 \times 2 \text{ hours} = \21.04 ; $\$155.60 + \$21.04 = \underline{\$176.64}$ total employer wages due.

Another example is an employee earning \$5.15 per hour. The overtime rate is calculated as follows: $\$6.63 + \$5.15 = \underline{\$11.40}$ 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 \$3.89 per hour, and host, at \$15.00 per hour. He works 25 hours as a waiter, ($25 \times \$3.89$ equals \$97.25), and 25 hours as a host, ($25 \times \$15.00$ equals \$375.00). The weighted average between both rates is derived by multiplying \$13.25 (the full minimum wage) by 25 hours, which equals \$331.25. Add \$331.25 to \$375.00 and that equals \$706.25, which you then divide by the total number of hours worked, 50, and you get the weighted average of **\$14.13**. Since all straight-time hours have been paid, the additional half-time hourly rate required to be paid is **\$7.06** (1/2 of \$14.13) multiplied by 10 overtime hours equals an additional \$70.62 to be paid; total employer wages due is \$776.87.

If a tipped employee works at various sub-minimum rates, the employer simply pays the additional overtime premium by multiplying the total number of hours worked in excess of 40 by one half 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 \$3.89/hour ($\$3.89 \times 12 \text{ hours} = \46.68), 30 hours as a bartender earning \$5.00/hour ($\$5.00 \times 30 \text{ hours} = \150), and 10 hours as a busboy earning \$7.00/hour ($\$7.00 \times 10 \text{ hours} = \70). The premium pay for the overtime is \$13.25 (the full minimum wage) divided by 2 = **\$6.63** --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 $\$6.63 \times 12 \text{ overtime hours} = \79.56 (the half-time due the employee); total employer wages due is \$281.24.

***Remember:** These instructions only refer to wages due from the employer (employer paid wages). All employees must receive the requisite amount of tips to bring them to the full minimum wage rate of \$13.25 for all regular hours and a rate of \$19.88 for all overtime hours. Additionally, 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 paid time off, e.g., holiday pay, vacation pay, and sick pay. Different types of pay must always be itemized.