



Operator Risk Mitigating Checklist For Tip Pooling

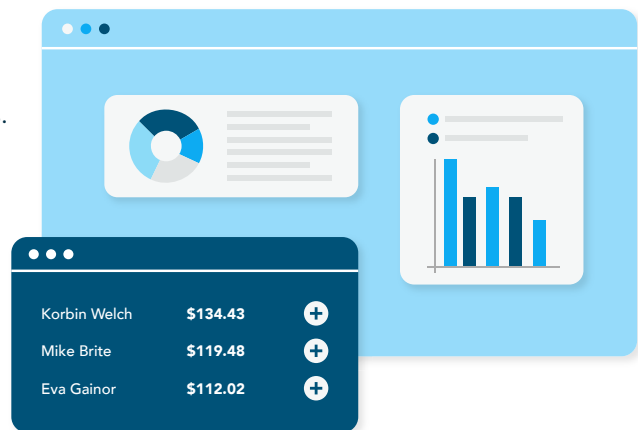
TipHaus platform automates tip calculations, distribution, and payments, ensuring compliance with federal regulations and reducing administrative budget. While TipHaus can handle the technical aspects, such as tip pooling policy implementation and record-keeping, specific tasks, like updating the employee handbook, will still require your direct involvement. Below, we've outlined the main key areas you must address to ensure compliance with tip pooling regulations and mitigate the risk of potential lawsuits.

First and foremost, understanding the benefits of tip pooling is essential for operators to foster fairness, transparency, and efficiency in their business operations while ensuring compliance with legal regulations.



The main benefits of tip pooling include:

- Reduces turnover by fostering a sense of unity and shared responsibility.
- Promotes teamwork and collaboration among staff members.
- Simplifies tip management for management and staff alike.
- Encourages fairness and equity in tip distribution.
- Helps improve overall service quality and guest satisfaction.
- Ensures compliance with legal requirements regarding tip pooling practices.



tiphaus Pro Tip:

Ensure that you effectively communicate these benefits to your staff to garner their support and alignment with your tip pooling model.

While tip pooling is an excellent tool for promoting teamwork and improving income stability, it does carry risks if executed improperly. The tip pool needs to reflect the efforts of the staff members and needs to be implemented with transparency and communication. It is recommended to work with a tool that offers visibility, accountability, and consultation.



Before implementing tip pooling at your establishment, it's crucial to acquaint yourself with the tip pooling laws and regulations applicable to your state.

- ✓ **Understand Minimum Wage Requirements:** Understand how tip credits and minimum wage laws apply to tipped employees in your state.
- ✓ **Employee Classification:** Ensure that you correctly classify employees as tipped or non-tipped based on state guidelines.
- ✓ **Tip Pooling State Policy:** Develop a clear tip pooling policy that adheres to state regulations and outlines the distribution process.
- ✓ **Reporting and Documentation:** Establish procedures for documenting tip distributions and ensure compliance with state record-keeping requirements.

tiphaus Pro Tip:

We recommend you regularly review and update your tip pooling policy to reflect any changes in the state laws or regulations.



Once you are familiarized with the tip pooling laws for your state, addressing these key items will ensure the proper execution of tip pooling in your establishment(s):

- ✓ In clear and concise language, articulate the procedures governing tips, service charges, and tip pools, detailing calculations and breakdowns, and integrate this information into your employee handbook, as well as any offer letters for employees participating in tip pools.
 - ✓ Include hypothetical scenarios that can illustrate precisely how each dollar of tip or service charge flows from the customer and into the pockets of the employees.
 - ✓ If feasible, consider absorbing the credit card processing fee within the restaurant's expenses rather than passing it on to employees. Effectively communicated, this approach may be perceived by employees as a gesture of goodwill from their employer, demonstrating efforts to optimize employee earnings and cultivate positive sentiment.
- ✓ For multi-unit businesses, if there is a change in the tip pooling system, it should be uniformly applied across all locations. Ensure that all current employees are given sufficient time to review the changes and must provide their consent before implementation. This involves updating offer letters, employee onboarding checklists, employee handbooks, and posting notices in employee break areas accordingly.
- ✓ Host an "all staff meeting" for any significant change so employees can easily ask questions directly of ownership/management to reduce confusion and "lost in translation" explanations.

- ✓ Provide a clear, easy, and well-documented way for employees to understand exactly how much they make in tips. This can be as simple as "email HR" or "speak with your manager", but transparency is the key to eliminating frustration.

**Note that this can be resolved with TipHaus and our employee app.*

- ✓ Maintain all records of how each tip pool is calculated so an employee can easily ask about prior pay periods and receive the information promptly.

**Note that this can be easily managed with TipHaus.*

- ✓ Implement a stand-alone "Mandatory Arbitration Agreement and Class Action Waiver" document, which must be signed by all new employees during their onboarding before they can begin working and rolled out to existing employees prior to new ones signing it.

tiphaus Pro Tip:

Besides dealing with your employees in a fair and transparent way, the existence of a Class Action Waiver might be the single most important tool in avoiding plaintiff's attorneys. It limits the ability of individuals to file or participate in a class action lawsuit against a company. Doing so effectively reduces the potential for large, collective legal actions that can lead to significant financial liabilities and public relations challenges for businesses.

TipHaus aims to make the tip pooling process simpler, faster, and more efficient for your business. With TipHaus, you can avoid the potential consequences of failing to comply with tip pooling laws, providing peace of mind and confidence in your operations.

Disclaimer:

While TipHaus offers solutions that can streamline and simplify many aspects of the tip pooling process outlined in the checklist, you should still consult with your attorney. Please note that the checklist provided above is intended as a practical guide based on the industry best practices and experiences of our own operators. We are not lawyers, and this checklist does not constitute legal advice. We advise you to consult with your own attorney before implementing any of the practices outlined in this checklist to ensure compliance with applicable laws and regulations in your state.

If you have any questions about the topics covered in this checklist, TipHaus is here to help.

Contact us

✉ sales@tiphaus.com



Learn more at: www.tiphaus.com