



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

AMENDED
FACT SHEET FOR S.C.R. 1040

~~permanent school fund; distribution; uses~~
(NOW: tipped workers; wages)

As passed by the Senate, S.C.R. 1040 required, subject to voter approval and beginning in FY 2026, the State Treasurer and the Arizona State Land Department to annually transfer Permanent State School Fund monies to provide guaranteed financing to common schools for capital facilities before transferring Permanent School Fund monies for any other authorized purpose.

The House of Representatives adopted a strike-everything amendment that does the following:

Purpose

Subject to voter approval, constitutionally establishes minimum hourly wage requirements for employees who customarily and regularly receive tips or gratuities from patrons or others (tipped employees).

Background

In 2016, Arizona voters passed the Fair Wages and Healthy Families Act, which requires employers to pay employees at least the statutory minimum wage. The minimum wage is regulated by the Industrial Commission of Arizona (ICA) and is annually adjusted based on changes in the Consumer Price Index, a measure of the cost of living, as published by the U.S. Department of Labor. Effective January 1, 2024, Arizona's minimum wage is \$14.35.

An employer may pay a tipped employee up to \$3 per hour less than the minimum wage if the employer can demonstrate that for each week, when combined with tips, the tipped employee received at least the minimum wage per hour for all hours worked. Tip earnings are averaged over the employer's payroll period, or another period chosen by the employer that complies with ICA regulations, to ensure compliance with minimum wage regulations ([A.R.S. § 23-363](#); [ICA](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Authorizes an employer to pay a tipped employee a wage of up to 25 percent per hour less than the statutory minimum wage if the employer can establish that for each week, when adding tips or gratuities received to wages paid, the employee received not less than the minimum wage plus \$2 for all hours worked, as evidenced by either:
 - a) the employer's records of charged tips or gratuities; or
 - b) the tipped employee's declaration for Federal Insurance Contributions Act purposes.

2. Specifies that compliance with the required tipped employee wage is determined by averaging tips or gratuities received by the tipped employee over the course of the employer’s payroll period or any other period selected by the employer that complies with laws enacted by the Legislature.
3. Designates this legislation as the *Tipped Workers Protection Act*.
4. Requires the Secretary of State to submit the proposition to the voters at the next general election.
5. Becomes effective if approved by the voters and on proclamation of the Governor.

Amendments Adopted by the House of Representatives

- Adopted the strike-everything amendment relating to tipped worker wages.

House Action

COM	3/19/24	DPA/SE	6-3-0-1
3 rd Read	4/3/24		35-24-0-0-1

Prepared by Senate Research

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MG/JC/cs