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LABOR & EMPLOYMENT DEPARTMENT

ALERT

PHILADELPHIA RESTAURANTS FORCED TO EAT CREDIT CARD FEES

By Steven K. Ludwig

In a gift to restaurant and other service workers in Philadelphia, City Council passed an ordinance, now in effect, prohibiting the deduction of credit card processing fees or any other deduction from employee gratuities or tips. The new law requires that employees be paid the gratuity by the “next regular payday” following the date that the credit card payment is authorized.

The City can fine violators up to \$2,000 per violation and each failure to make a timely payment of the full gratuity is considered a separate violation. Additionally, an employee can file suit to collect any amount withheld *plus* \$2,000 *plus* attorney’s fees and court costs. Restaurants and other businesses are now forced to absorb the cost of the full amount of credit card processing fees.

The restaurant industry—one of Philadelphia’s remaining job creators—vigorously opposed the legislation, which essentially provides a pay raise to workers imposed by legislative fiat. The transfer of wealth will hit smaller restaurants particularly hard with the responsive option of raising prices, cutting the number of hours worked, reducing employee head count or going “cash only.”

Bah, humbug.

If you have any questions regarding this Alert, please contact Steven K. Ludwig at 215.299.2164 or sludwig@foxrothschild.com or any member of Fox Rothschild’s Labor & Employment Department.



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