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**SUBSTITUTE HOUSE BILL 1623**

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**State of Washington**

**69th Legislature**

**2025 Regular Session**

**By** House Appropriations (originally sponsored by Representatives Obras, Fosse, Ortiz-Self, Parshley, Goodman, Macri, Donaghy, Hill, Stonier, Taylor, Berry, Santos, Peterson, Ramel, Gregerson, Reed, Farivar, Reeves, Bergquist, Kloba, Duerr, Ryu, Simmons, Cortes, Thomas, Street, Davis, and Salahuddin)

READ FIRST TIME 02/28/25.

1 AN ACT Relating to prohibiting deductions for credit card  
2 transaction processing fees from employee tips; amending RCW  
3 49.46.020; adding a new chapter to Title 19 RCW; creating a new  
4 section; prescribing penalties; and providing an effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 49.46.020 and 2019 c 236 s 2 are each amended to  
7 read as follows:

8 (1)(a) Beginning January 1, 2017, and until January 1, 2018,  
9 every employer shall pay to each of his or her employees who has  
10 reached the age of (~~eighteen~~) 18 years wages at a rate of not less  
11 than (~~eleven dollars~~) \$11 per hour.

12 (b) Beginning January 1, 2018, and until January 1, 2019, every  
13 employer shall pay to each of his or her employees who has reached  
14 the age of (~~eighteen~~) 18 years wages at a rate of not less than  
15 (~~eleven dollars and fifty cents~~) \$11.50 per hour.

16 (c) Beginning January 1, 2019, and until January 1, 2020, every  
17 employer shall pay to each of his or her employees who has reached  
18 the age of (~~eighteen~~) 18 years wages at a rate of not less than  
19 (~~twelve dollars~~) \$12 per hour.

20 (d) Beginning January 1, 2020, and until January 1, 2021, every  
21 employer shall pay to each of his or her employees who has reached

1 the age of (~~eighteen~~) 18 years wages at a rate of not less than  
2 (~~thirteen dollars and fifty cents~~) \$13.50 per hour.

3 (2) (a) Beginning on January 1, 2021, and each following January  
4 1st as set forth under (b) of this subsection, every employer shall  
5 pay to each of his or her employees who has reached the age of  
6 (~~eighteen~~) 18 years wages at a rate of not less than the amount  
7 established under (b) of this subsection.

8 (b) On September 30, 2020, and on each following September 30th,  
9 the department of labor and industries shall calculate an adjusted  
10 minimum wage rate to maintain employee purchasing power by increasing  
11 the current year's minimum wage rate by the rate of inflation. The  
12 adjusted minimum wage rate shall be calculated to the nearest cent  
13 using the consumer price index for urban wage earners and clerical  
14 workers, CPI-W, or a successor index, for the (~~twelve~~) 12 months  
15 prior to each September 1st as calculated by the United States  
16 department of labor. Each adjusted minimum wage rate calculated under  
17 this subsection (2) (b) takes effect on the following January 1st.

18 (3) An employer must pay to its employees: (a) All tips and  
19 gratuities; and (b) all service charges as defined under RCW  
20 49.46.160 except those that, pursuant to RCW 49.46.160, are itemized  
21 as not being payable to the employee or employees servicing the  
22 customer. Tips and service charges paid to an employee are in  
23 addition to, and may not count towards, the employee's hourly minimum  
24 wage. An employer that permits customers to pay tips or gratuities by  
25 credit card shall pay the employees the full amount of the tip or  
26 gratuity that the customer indicated on the credit card slip, without  
27 any deductions for any credit card payment processing fees or  
28 transaction costs that may be charged to the employer by the credit  
29 card company.

30 (4) Beginning January 1, 2018, except as provided in RCW  
31 49.46.180, every employer must provide to each of its employees paid  
32 sick leave as provided in RCW 49.46.200 and 49.46.210.

33 (5) The director shall by regulation establish the minimum wage  
34 for employees under the age of (~~eighteen~~) 18 years.

35 NEW SECTION. **Sec. 2.** The definitions in this section apply  
36 throughout this chapter unless the context clearly requires  
37 otherwise.

38 (1) "Acquirer bank" means a member of a payment card network that  
39 contracts with a merchant for the settlement of electronic payment

1 transactions. An acquirer bank may contract directly with merchants  
2 or indirectly through a processor to process electronic payment  
3 transactions.

4 (2) "Authorization" means the process through which a merchant  
5 requests approval for an electronic payment transaction from the  
6 issuer.

7 (3) "Clearance" means the process of transmitting final  
8 transaction data from a merchant to an issuer for posting to the  
9 cardholder's account and the calculation of fees and charges,  
10 including processing fees, that apply to the issuer and the merchant.

11 (4) "Credit card" means a card, plate, coupon book, or other  
12 credit device existing for the purpose of obtaining money, property,  
13 labor, or services on credit.

14 (5)(a) "Debit card" means a card or other payment code or device  
15 issued or approved for use through a payment card network to debit an  
16 asset account, regardless of the purpose for which the account is  
17 established, whether authorization is based on a signature, a  
18 personal identification number, or other means.

19 (b) "Debit card" includes a general use prepaid card, as defined  
20 in 15 U.S.C. Sec. 16931-1 as it existed on the effective date of this  
21 section.

22 (c) "Debit card" does not include paper checks.

23 (6) "Electronic payment transaction" means a transaction in which  
24 a person uses a debit card, a credit card, or other payment code or  
25 device issued or approved through a payment card network to debit a  
26 deposit account or use a line of credit, whether authorization is  
27 based on a signature, a personal identification number, or other  
28 means.

29 (7) "Gratuity" means a voluntary monetary contribution to an  
30 employee from a guest, patron, or customer in connection with  
31 services rendered and due to an employee under RCW 49.46.020(2),  
32 including all tips, gratuities, and service charges.

33 (8) "Issuer" means a person issuing a debit card or credit card,  
34 or the issuer's agent.

35 (9) "Merchant" means a person that collects a gratuity due to an  
36 employee.

37 (10) "Payment card network" means an entity that:

38 (a) Directly or through licensed members, processors, or agents,  
39 provides the proprietary services, infrastructure, and software to

1 route information and data for the purpose of conducting electronic  
2 payment transaction authorization, clearance, and settlement; and

3 (b) A merchant uses to accept as a form of payment a brand of  
4 debit card, credit card, or other device that may be used to carry  
5 out electronic payment transactions.

6 (11) "Person" means any individual, firm, public or private  
7 corporation, government, partnership, association, or any other  
8 organization or entity.

9 (12) "Processing fee" means a fee established, charged, or  
10 received by a payment card network for the purpose of compensating  
11 the issuer for its involvement in an electronic payment transaction.

12 (13) "Processor" means an entity that facilitates, services,  
13 processes, or manages the debit or credit authorization, billing,  
14 transfer, payment procedures, or settlement with respect to any  
15 electronic payment transaction.

16 (14) "Settlement" means the process of transmitting sales  
17 information to the issuing bank for collection and reimbursement of  
18 funds to the merchant, and calculating and reporting the net  
19 transaction amount to the issuer and merchant for an electronic  
20 payment transaction that is cleared.

21 (15) "Transaction documentation" means documentation sufficient  
22 for the payment card network to determine the total amount of the  
23 electronic payment transaction and the tax or gratuity amount of the  
24 transaction. Transaction documentation may be related to a single  
25 electronic payment transaction or multiple electronic payment  
26 transactions aggregated over a period of time. Examples of  
27 transaction documentation include, but are not limited to, invoices,  
28 receipts, journals, and ledgers.

29 NEW SECTION. **Sec. 3.** (1) An issuer, a payment card network, an  
30 acquirer bank, or a processor may not receive or charge a merchant  
31 any processing fee on the gratuity amount of an electronic payment  
32 transaction if the merchant informs the acquirer bank or its designee  
33 of the gratuity amount as part of the authorization or settlement  
34 process for the electronic payment transaction. The merchant must  
35 transmit the gratuity amount data as part of the authorization or  
36 settlement process to avoid being charged processing fees on the  
37 gratuity amount of an electronic payment transaction.

38 (2) A merchant that does not transmit the gratuity amount data in  
39 accordance with this section may submit transaction documentation for

1 the electronic payment transaction to the acquirer bank or its  
2 designee no later than 180 days after the date of the electronic  
3 payment transaction. Within 30 days after the merchant submits the  
4 transaction documentation, the issuer must credit to the merchant the  
5 amount of processing fees charged on the gratuity amount of the  
6 electronic payment transaction.

7 (3) This section does not create liability for a payment card  
8 network regarding the accuracy of the gratuity amount data reported  
9 by the merchant.

10 (4) It is unlawful for an issuer, a payment card network, an  
11 acquirer bank, or a processor to alter or manipulate the computation  
12 and imposition of processing fees by increasing the rate or amount of  
13 the fees applicable to, or imposed upon, the portion of a credit or  
14 debit card transaction not attributable to taxes or other fees  
15 charged to the merchant to circumvent the effect of this section.

16 (5) Payment card networks shall, within two years of the  
17 effective date of this section, provide a mechanism for merchants to  
18 transmit gratuity amount data as part of the electronic payment  
19 transaction process sufficient to allow acquirer banks to exclude  
20 those amounts from any processing fee assessment.

21 NEW SECTION. **Sec. 4.** (1) A payment card network or other  
22 designated entity that has received the gratuity amount data and  
23 violates section 3 of this act is subject to a civil penalty of  
24 \$1,000 per electronic payment transaction, and the issuer must refund  
25 the merchant the processing fee calculated on the gratuity amount  
26 relative to the electronic payment transaction. Civil penalties  
27 imposed under this section must be paid to the director of the  
28 department of labor and industries for deposit in the supplemental  
29 pension fund established in RCW 51.44.033. Penalties under this  
30 section are in addition to any other penalties or other relief  
31 provided under chapter 49.46 RCW and Title 82 RCW.

32 (2)(a) An entity, other than the merchant, involved in  
33 facilitating or processing an electronic payment transaction  
34 including, but not limited to, an issuer, a payment card network, an  
35 acquirer bank, a processor, or other designated entity, may not  
36 distribute, exchange, transfer, disseminate, or use the electronic  
37 payment transaction data except to facilitate or process the  
38 electronic payment transaction or as required by law.

1 (b) A violation of this subsection constitutes a violation of the  
2 consumer protection act pursuant to chapter 19.86 RCW.

3 NEW SECTION. **Sec. 5.** Sections 2 through 4 of this act  
4 constitute a new chapter in Title 19 RCW.

5 NEW SECTION. **Sec. 6.** This act takes effect July 1, 2026.

6 NEW SECTION. **Sec. 7.** If specific funding for the purposes of  
7 this act, referencing this act by bill or chapter number, is not  
8 provided by June 30, 2025, in the omnibus appropriations act, this  
9 act is null and void.

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