



Calculating Overtime for Tipped Employees in Colorado in 2023

Calculating overtime for tipped employees in Colorado is not as simple as multiplying their tipped wage by time-and-a-half (or 1.5). The Colorado tip credit is not a percentage of the full minimum wage, so if you were to simply multiply a tipped employee's hourly wage by 1.5, you would end up paying them less than what is required by law.

2023: Colorado's tipped minimum wage is \$10.63 per hour. Colorado's full minimum wage is \$13.65 per hour.

- *Calculated as: \$13.65 (full minimum wage) - \$3.02 (Colorado tip credit) = \$10.63 per hour*

Example of **incorrect** overtime calculation:

- $\$13.65 \times 1.5 = \20.48 (hourly minimum overtime rate in Colorado)
- $\$10.63 \times 1.5 = \15.95 (This is \$4.53 less than the state's hourly minimum overtime rate; if paying this rate per hour of overtime work, the employer would be taking a tip credit larger than \$3.02 – which is illegal in Colorado.)

The **correct** hourly overtime rate for tipped employees is based upon the Colorado full minimum wage (\$13.65) minus the "available tip credit," which varies. See the examples provided below.

Example 1

Situation: A tipped employee making the tipped minimum wage of \$10.63 per hour works 50 hours in a workweek (40 hours of straight-time earnings, 10 hours of overtime earnings), with no work in excess of the 12-hour Colorado overtime criteria*.

- $\$13.65 \times 40 = \546 (straight-time earnings for regular hours)
- $\$13.65 \times 1.5 \times 10$ (straight-time earnings x 1.5 OT premium x number of OT hours) = \$204.75
- $\$546 + \$204.75 = \$750.75$ (total owed before applying any tip credit)
- $\$13.65 - \$10.63 = \$3.02$ (calculation of the available tip credit)
- $\$3.02$ (tip credit) x 50 (hours worked) = \$151.00 (tip credit which the employer may apply)
- $\$750.75 - \$151.00 = \$599.75$ (total owed to the employee for the 50-hour workweek)

Example 2

Situation: A tipped employee earning a rate of \$11.65 per hour works 50 hours in the workweek, with no work in excess of the 12-hour Colorado overtime criteria*.

- $\$13.65 \times 40 = \546 (straight-time earnings for regular hours)
- $\$13.65 \times 1.5 \times 10$ (straight-time earnings x 1.5 OT premium x number of OT hours) = \$204.75
- $\$546 + \$204.75 = \$750.75$ (total owed before applying any tip credit)
- $\$13.65 - \$11.65 = \$2.00$ (calculation of the available tip credit)
- $\$2.00$ (tip credit) x 50 (hours worked) = \$100.00 (tip credit which the employer may apply)
- $\$750.75 - \$100.00 = \$650.75$ (total owed to the employee for the 50-hour workweek)

Got questions? Reach out to us at info@corestaurant.org or 303-830-2972.

*In Colorado, work in excess of twelve hours per workday, or twelve consecutive hours without regard to the starting and ending time of the workday (excluding duty-free meal periods), is subject to overtime pay.

(Some information provided by the U.S. and Colorado Departments of Labor)