No Gimmicks Necessary: Put More Money in Workers' Pockets by Raising Their Wages

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Introduction

Amid an extended period of high inflation and a slowing economy, voters and politicians alike are looking for policies to make life more affordable for workers and families.

During the summer of 2025, Congress passed the "One Big Beautiful Bill" (H.R. 1), which included a temporary "no tax on tips" provision that is framed as helping low-wage workers, while the rest of the legislation gives huge, permanent tax cuts to the rich[1] in addition to making the largest cuts to Medicaid and SNAP in history.[2] In West Virginia, similar legislation to eliminate the state income tax on tips was introduced during the 2025 legislative session.[3]

While supporters of no tax on tips laws claim they help low-wage workers, these policies provide only meager benefits to the small share of workers who receive tips as a portion of their pay. In addition to the policy's small and poorly targeted benefits, ending taxation of tips would likely expand employer use of tipped labor and undercut efforts to raise worker compensation. No tax on tips lets employers off the hook from paying their workers a fair wage while creating inequity in the tax system.

In contrast, raising the minimum wage provides a much larger benefit to a significantly broader range of low-wage workers. The Raise the Wage Act of 2025 would raise the minimum wage to $17 per hour by 2030 and gradually eliminate the tipped minimum wage. Raising the minimum wage to $17 per hour would benefit 186,000 low-wage workers in West Virginia, over 27 percent of the workforce.[4]

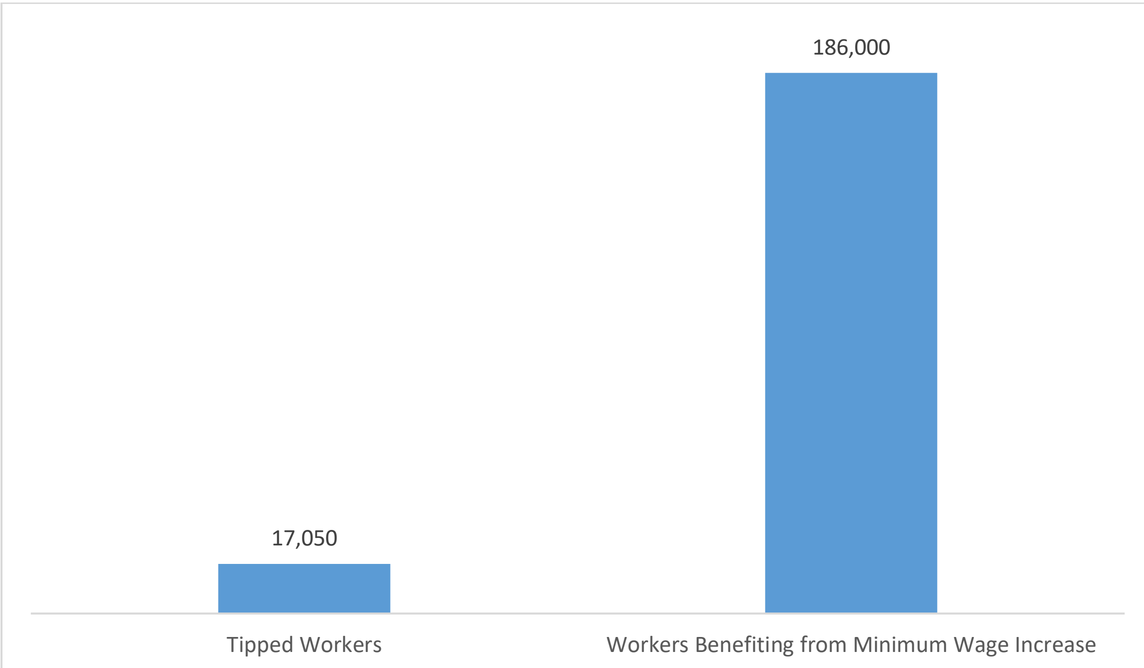
No Tax on Tips Vs. Raising the Minimum Wage

"Tipped occupations" are jobs where tips are common such as waiters, bartenders, and hairdressers. There were an estimated 4 million workers in tipped occupations in 2023, representing just 2.5 percent of all employment.[5] That is the equivalent of 17,050 workers in West Virginia. In contrast, raising the minimum wage would benefit ten times as many workers in West Virginia, or 27.2 percent of all workers (Figure 1).

[1] Kelly Allen, "'One Big Beautiful Bill's' Tax Provisions a Bad Deal for WV (Unless You're Rich)" (Charleston, West Virginia: West Virginia Center on Budget and Policy, September 2025).
[2] Rhonda Rogombe, "Congress Just Enacted HR 1, Which Makes the Largest Cuts to Health Care and SNAP in History. Here's What It Means for West Virginia" (Charleston, West Virginia: West Virginia Center on Budget and Policy, September 2025).
[3] SB 549 and HB 2139, 2025 West Virginia Legislative Session.
[4] Ben Zipperer, "The impact of the Raise the Wage Act of 2025" (Washington, D.C.: Economic Policy Institute, April 2025).
[5] Ernie Tedeschi, "The 'No Tax on Tips Act': Background on Tipped Workers" (New Haven, Connecticut: The Budget Lab at Yale, June 2024).

Figure 1: Raising the Minimum Wage Benefits Far More Workers Than No Tax on Tips

Estimated total tipped workers and workers directly impacted by raising the minimum wage to $17 per hour, West Virginia, 2025



Source: Economic Policy Institute and Yale Budget Lab

No tax on tips leaves out the vast majority of low-wage workers who do not receive tips, and those workers left out often work for lower wages than their tipped peers. For example, there are 9,190 waiters in West Virginia, who earn a median wage of $14.58 per hour. In contrast, there are 7,280 fast food and counter workers in the state, who earn a median wage of $12.00 per hour.[6] Only the tipped waiters, who already earn a higher wage than their fast food counterparts who do not receive tips, would benefit from exempting tipped income from the income tax. No tax on tips would introduce further inequity into the tax system. There is no logical reason for a worker who delivers food and receives tips to be taxed less than a worker making the same wages who delivers packages and receives no tips.

Not only is no tax on tips inequitable, but it would encourage employers in more industries to reclassify wage income as tips, effectively shifting their employment costs onto consumers by encouraging tipping and then cutting wages equivalently. New tipped workers would see their incomes become less stable and predictable, while consumers would face higher costs via increased tip requests. In addition, the tax incentive could encourage high-earning accountants, lawyers, and other high-wage earners to include an expectation of tips in their pay structures.

Exempting tips from the income tax also has a dramatically smaller benefit than raising the minimum wage. According to the fiscal note for the no tax on tips bill introduced in the 2025 West Virginia legislative session, no tax on tips would cost the state up to $5 million, or in other words, the state's tipped workers would receive a tax cut worth a total of $5 million.[7] In contrast, increasing the minimum wage to $17 per hour by 2030 would

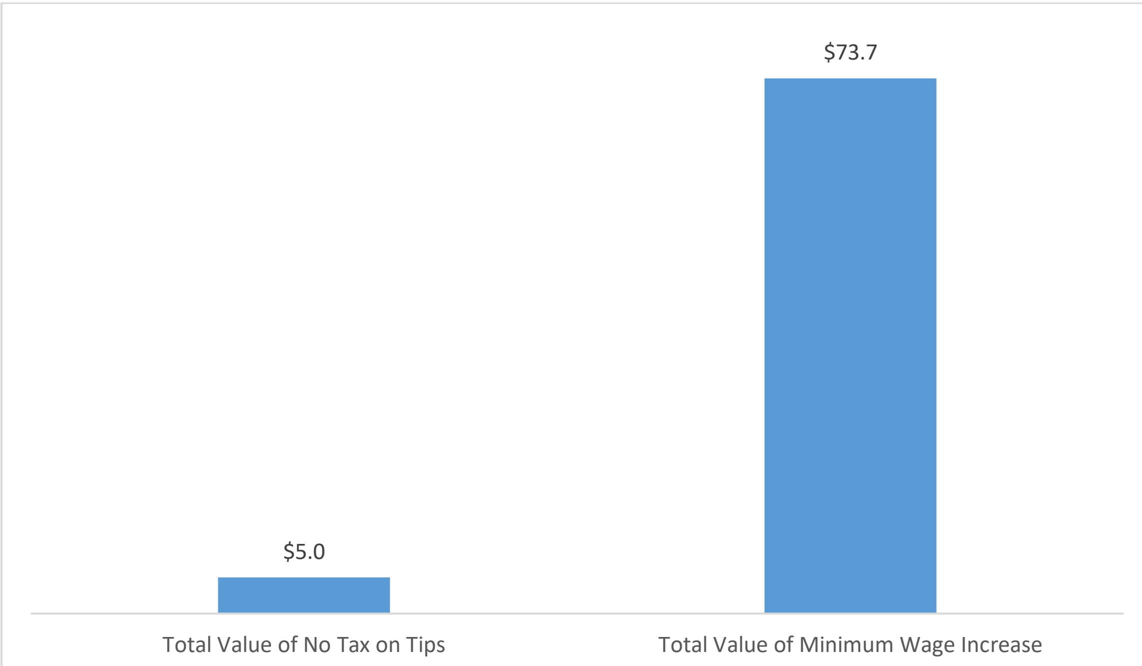
[6] Bureau of Labor Statistics, Occupational Employment and Wage Statistics, West Virginia, May 2024.

[7] Fiscal notes for SB 549 and HB 2139, 2025 West Virginia Legislative Session.

increase wages for low-wage workers by a total of $73.7 million,[8] not only reaching many more workers, but providing a considerably larger benefit (Figure 2).

Figure 2: Raising the Minimum Wage has a Much Larger Impact on Low-wage Workers Than No Tax on Tips

Total values of exempting tips from the state income tax and raising the minimum wage to $17 per hour, West Virginia (millions)



Source: West Virginia Legislature and Economic Policy Institute

A Minimum Wage Increase is Long Overdue

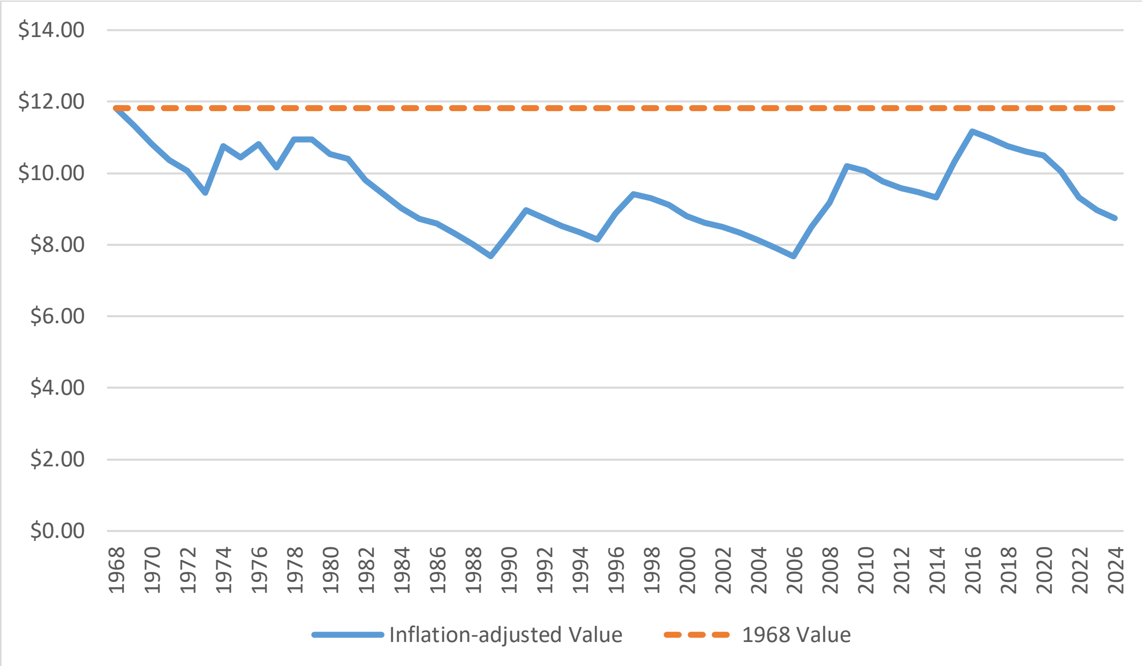
It has been a decade since West Virginia's last minimum wage increase, which phased in an increase from $7.25 to $8.75 per hour over two years in 2014.[9] Since then, the minimum wage has lost a concerning 22 percent of its value to inflation. If the minimum wage had kept up with inflation from its high point in 1968, West Virginians would now be earning $11.82 per hour. Today's minimum wage is at its lowest inflation-adjusted point since 2008 (Figure 3).

[8] Zipperer (2025).

[9] West Virginia State Code §21-5C-2.

Figure 3: West Virginia's Minimum Wage has Lost Much of its Value

Inflation-adjusted minimum wage, 1968–2024



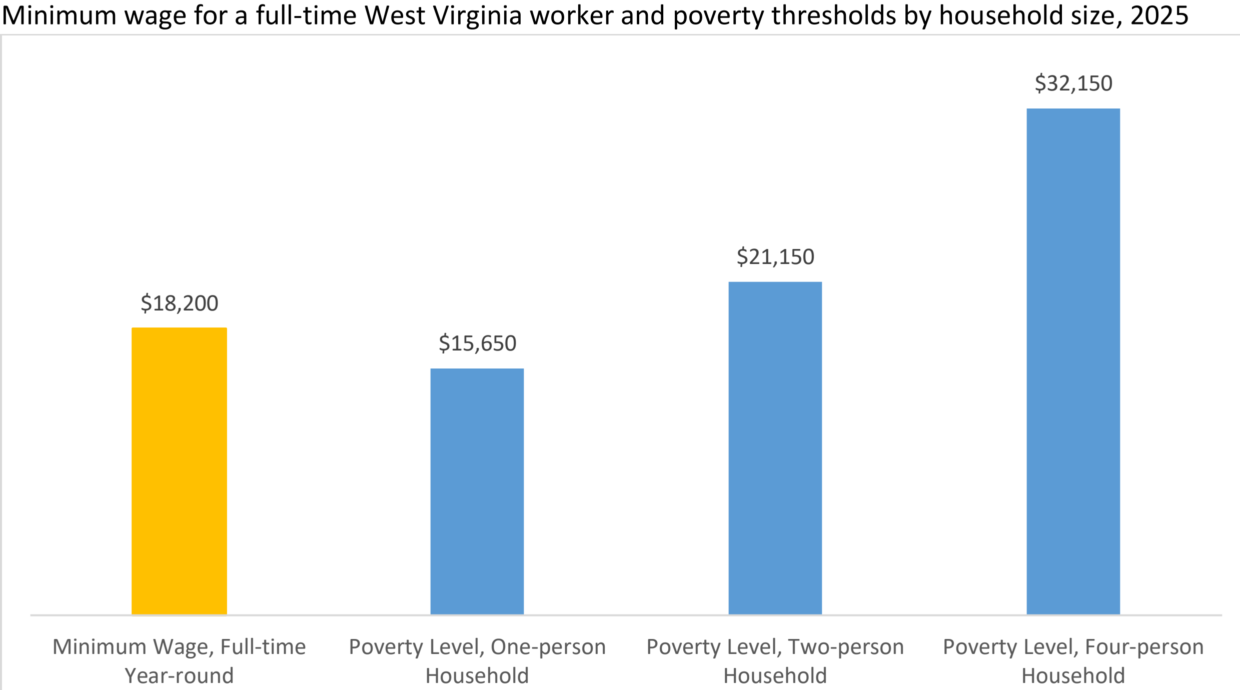
Source: Economic Policy Institute

The Minimum Wage and Poverty

The minimum wage is so low and has lost so much of its value that it is unable to keep workers and their families out of poverty. In 2025, West Virginia's minimum wage for a full-time worker falls below the poverty level for a two-person household (Figure 4).

Figure 4: The Minimum Wage Now Falls Below the Poverty Level

Minimum wage for a full-time West Virginia worker and poverty thresholds by household size, 2025



Source: U.S. Department of Health and Human Services 2025 Poverty Guidelines

Given West Virginia's minimum wage is insufficient to even lift workers and their families out of poverty, it falls far short of being able to support a family budget. West Virginia's living wage, or the hourly rate an individual in a household must earn working full-time to help cover the cost of their family's minimum basic needs while still being self-sufficient, ranges from $13.60 per hour for a household with two adults (both working) and no children to $52.51 per hour for a household with one working adult and three children.[10] This measure is important because as the next section shows, many workers who would benefit from an increase in the minimum wage are supporting families.

Who Benefits from Raising the Minimum Wage?

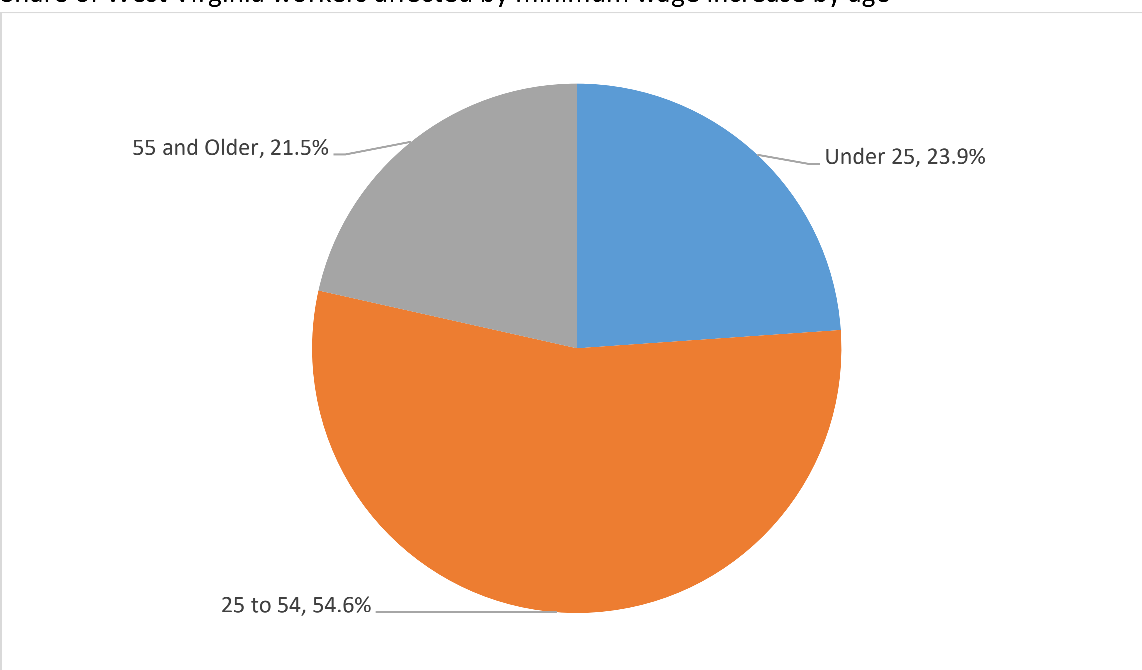
If West Virginia were to raise the minimum wage to $17 per hour over time, 186,000 West Virginia workers would see an increase in their wages, leaving over 27 percent of the workforce better off.[11]

Raising the minimum wage would benefit a broad range of workers in West Virginia. While the misconception exists that many minimum wage earners are simply teenagers with entry-level jobs, the reality is that most beneficiaries of an increase in the minimum wage are adults, with many supporting families.

In West Virginia, over 76 percent of the beneficiaries of a minimum wage increase are over the age of 25 (Figure 5), while nearly 53 percent are either married or parents (Figure 6).

Figure 5: Raising the Minimum Wage Benefits Older, More Experienced Workers

Share of West Virginia workers affected by minimum wage increase by age

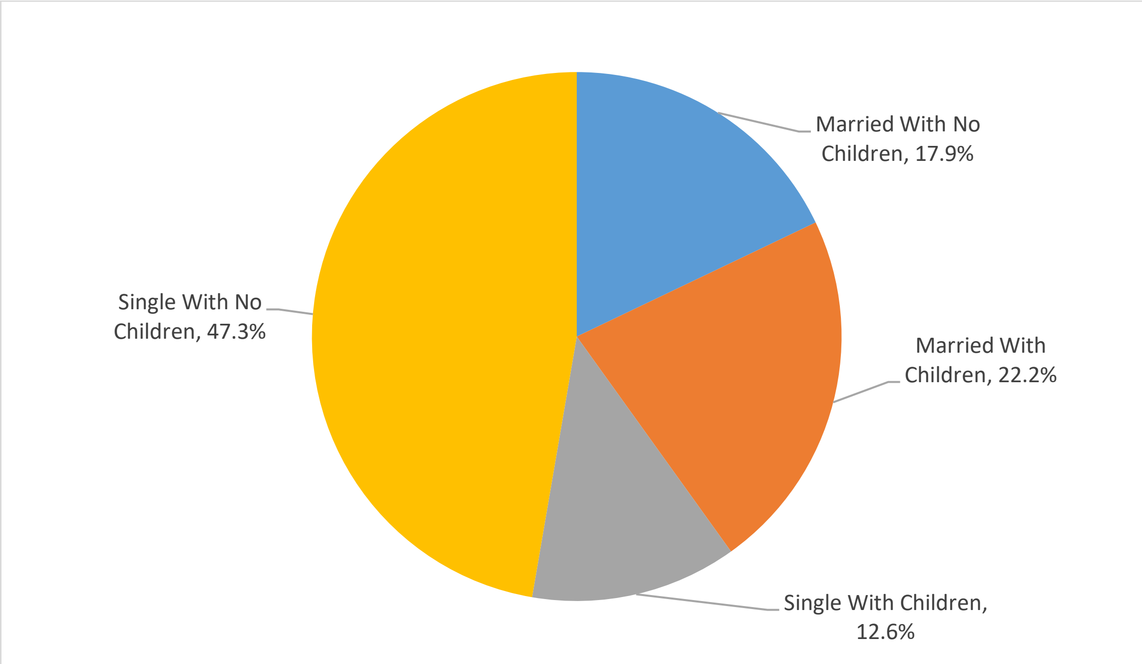


Source: WVCBP analysis of U.S. Census Bureau, 2022-2024 Current Population Survey data

[10] MIT Living Wage Calculator for West Virginia, 2025.
[11] Zipperer (2025).

Figure 6: Minimum Wage Increase Benefits Workers Supporting Their Families

Share of West Virginia workers affected by minimum wage increase by family structure



Source: WVCBP analysis of U.S. Census Bureau, 2022-2024 Current Population Survey data

In addition to being largely adult workers supporting families, those benefiting from an increase in the minimum wage also largely have high levels of educational attainment. Over 40 percent of those benefiting from a minimum wage increase in West Virginia have at least some college education, while less than 12 percent have less than a high school education.[12]

Women and Black West Virginians are also notable beneficiaries of a minimum wage increase. Fifty-four percent of those benefiting from a minimum wage increase in West Virginia are women, representing more than one-third of total women workers in the state. Meanwhile, over 37 percent of Black workers in the state would benefit.[13]

On average, West Virginia workers benefiting from an increase in the minimum wage would see a 15 percent increase in annual wages, for a total wage increase $73.7 million.[14]

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[12] WVCBP analysis of U.S. Census Bureau, Current Population Survey data.
[13] Ibid.
[14] Zipperer (2025).

Conclusion

Raising the minimum wage would provide greater benefits to a broader range of low-wage workers than "no tax on tips" gimmicks, and this increase is long overdue. West Virginia's minimum wage has lost much of its value since it was last increased, and while workers at the bottom of the wage scale have seen modest increases in the past few years, that has been the exception amid decades of stagnation.[15]

By raising the minimum wage, West Virginia would help ensure there is a wage floor that provides for family well-being, something that no tax on tips falls far short of providing. If the state is sincerely committed to helping low-wage workers, the clear and simple solution is raising the minimum wage.

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[15] Sean O'Leary, "The State of Working West Virginia 2025: The State of the Public Sector" (Charleston, West Virginia: West Virginia Center on Budget and Policy, November 2025).