



Special Notice

CALIFORNIA STATE BOARD
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BOE WEBSITE AND
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INFORMATION
www.boe.ca.gov

CUSTOMER SERVICE CENTER
1-800-400-7115
TTY
711

Sales Tax Applies to Restaurant Surcharges

Many restaurant owners/operators add a surcharge to their receipts to cover required employer costs, such as increases to minimum wage, healthcare contributions, and paid sick leave. If you add a separate surcharge to the customers' bills, sales tax applies to the surcharge amount.

Whenever a surcharge is separately added to any taxable sale, the surcharge is also subject to tax ([Revenue and Taxation Code section 6012](#)). The law does **not** allow a specific exemption for added surcharges; therefore, you may not claim the cost of the surcharge as a deduction on your sales and use tax return.

In the example below, the computation of sales tax on a taxable sale includes a restaurant surcharge. Tax is applied to the total selling price including the surcharge. The example assumes an 8.5 percent sales tax rate, but your actual tax rate may differ:

Example

Baked pasta	\$14.00
Side salad	4.00
Wine	8.00
Subtotal	<u>26.00</u>
Restaurant Surcharge (3%)	<u>.78</u>
Total sale	26.78
Sales tax [8.5% x 26.78]	<u>2.28</u>
Total due	\$29.06

For more information, please see the online *Tax Guide for Restaurant Owners* at www.boe.ca.gov/industry/restaurant.html. You may also call the Customer Service Center at 1-800-400-7115 (TTY:711) weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.