



For Immediate Release
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Simplifying Gratuity Reporting Up for Consideration

Sacramento – Members of the California State Board of Equalization (BOE) will consider adoption of a regulation to ease compliance with reporting tips and service charges collected in restaurants. They will also hear personal and franchise income, sales and use, and special tax appeals during the Board’s monthly meeting on August 5 and 6, 2014 at 5901 Green Valley Circle, Room 207, in Culver City.

The restaurant regulation under consideration establishes a presumption that restaurants are correctly reporting taxable mandatory service charges to the BOE when their records are kept consistent with guidance from the Internal Revenue Service (IRS). An IRS ruling issued in June 2012 provided information on the difference between optional tips (which are not subject to sales tax) and mandatory service charges (which are). For example, a pre-arranged, set percentage of the bill that is charged for large parties at restaurants is a taxable service charge.

If the Board adopts the regulation and it is then codified, the changes will apply to sales made on or after January 1, 2015. This will give time to enable restaurateurs to make any necessary changes in record keeping or systems to streamline their processes.

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The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects \$56 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

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