



State Board of Equalization

News Release

George Runner, Member

2nd District – Lancaster

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Board of Equalization Adopts Regulation Simplifying Gratuity Reporting

Sacramento – Members of the California State Board of Equalization (BOE) adopted a regulation to ease compliance with reporting tips and service charges collected in restaurants on August 5, 2014, in Culver City.

“Restaurants play a vital role in California’s economy, providing more than a million jobs across the state,” said Board of Equalization Member George Runner. “Simplifying compliance allows restaurant owners to spend more time serving their customers and growing their businesses.”

The restaurant regulation 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.

When the regulation is 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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Elected in November 2010, George Runner represents the State Board of Equalization's Second District. He is a leading advocate for California taxpayers. Runner has worked to improve California’s tax policies and practices and to create and retain more private sector jobs in our state. Prior to his election to the Board, Runner served twelve years in the State Legislature, authoring the well-known California Amber Alert and California's Blue Alert. As a thoughtful conservative, his legislative priorities included improving the economy, business growth, education excellence, and public safety for all Californians. As a member of the Senate Revenue and Taxation Committee, Runner consistently led the fight against tax increases and supported tax relief for families and businesses.

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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