

Memorandum**550.0688**

To: Mr. Timothy Raboy
Return Review Section - MIC:35

Date: May 11, 1993

From: Thomas J. Cooke
Tax Counsel

Subject: Taxable Allocation of Tips

This office has received a memorandum from you dated March 22, 1993, in which you requested an opinion as to the tax application of a sum allocated to tips.

You state in your memorandum that the taxpayer operates a riverboat company in --- County. Along with cruises of the --- River, the taxpayer offers meals and alcoholic beverages. When the customer desires a cruise and meal, a lump-sum charge of \$50.00 is made. The \$50.00 charge is broken down as:

Meal	\$23.75
Tax	1.72
Cruise	18.75
Tip	6.28

The taxpayer has advised the Board that the tip is for cruise and meal. You requested that this office advise you on the tax application of the tip amount.

Where service charges are mandatorily imposed upon the purchase of meals and drinks, these charges are included in taxable gross receipts (Sales and Use Tax Annotations 550.0740, 9/22/53; 550.0760, 9/24/65).

If the taxpayer can show that a specific percentage of the sum allocated to tips is, in fact, paid to ship personnel who do not prepare and serve meals or drinks, that percentage should not be includible in taxable gross receipts.

The taxpayer should be asked for a breakdown of the fixed charge imposed on a passenger who does not request a meal or drinks. The sum allocated in that case to tips should be compared to the \$6.28 sum allocated tips in the charge for a cruise with meals.

TJC:sr