



STATE BOARD OF EQUALIZATION

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Controller, Sacramento

E. L. SORENSEN, JR.
Executive Director

August 26, 1996

Mr. --- ---
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--- ---, CA -----

Dear Mr. ---:

Your letter of July 11, 1996 was forwarded by Mr. Rudy Ahumada to this office for reply.

You are aware that under the Sales and Use Tax Law service charges made in connection with the sales of meals are subject to tax. Voluntary tips are not taxable. You propose to present to your customer a check as follows:

Beverage total \$ \_\_\_\_\_
(tax included)
Optional 15% \$ \_\_\_\_\_
Gratuity
Total \$ \_\_\_\_\_ \*

\* The above total includes an optional 15% gratuity.
You may raise, lower, or eliminate this gratuity by
telling your server

It is our opinion that where the customer is presented with a check which includes a total inclusive of the two amounts itemized, the total amount is subject tax, notwithstanding the printed legend to the effect that the "gratuity" amount may be raised, lowered, or eliminated "by telling your server."

Very truly yours,

Gary J. Jugum
Assistant Chief Counsel

GJJ:sr
cc: Mr. Rudy Ahumada - MIC:40