

**CITY OF GOLDEN
FINANCE DIRECTOR
ADMINISTRATIVE DIRECTIVE REGARDING INTERPRETATIONS OF THE
GOLDEN SALES AND USE TAX CODE REGARDING TIPS, GRATUITIES AND
SERVICE CHARGES**

Unless specifically exempted, the City of Golden imposes a sales/use tax on the sales/use of "tangible personal property". With respect to the Sales Taxability of "Tips, Gratuities and Service Charges" the following interpretations shall be utilized to determine whether such sale or use is taxable under Chapter 3 of the Golden Municipal Code:

To determine the taxability of "Tips, Gratuities and Service Charges" the following must be considered:

Definition: Tips, Gratuities and Service Charges are payments that are separately paid to persons providing a service. Example: server, waiter, or waitress.

Sales tax must be paid on tips and gratuities that are included in the cost of food served by restaurants, banquet facilities, hotels and caterers, or in the cost of services provided. Tips and gratuities **are** subject to tax when *one or more* of the following conditions apply:


- they are mandatory and must be paid in addition to the price of the sale, or
- they are not separately stated, or
- they are collected by the employer and distributed as wages, or
- any portion is retained by the business, or
- the business uses them to compensate other persons and not the service providers, or
- if a restaurant or other business is providing services for a large group and the tip, gratuity or service charge is included in the charge.

Tips and gratuities are not taxable when they are left on the table or location where the service took place or when they are added to the charge receipt after the price and tax are calculated.

Tips and gratuities **are not** subject to tax when all of the following apply:

1. Tips/gratuities are separately stated on the bill and are optional for the customer.
2. No portion of the tip/gratuity is retained by, or for the profit of the business.
3. Tips/gratuities are given to the persons providing the service.

This interpretation was made with consideration to the Colorado Department of Revenue, FYI Sales 72 document outlining "Sales Taxability of Tips and Gratuities" with some modifications made for the City of Golden.


Jeffrey A. Hansen
City of Golden Finance Director

Approved this 18th day of October, 2004