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.

Approved this 18th day of October, 2004

[Signature]
City of Golden Finance Director