

AUTO GRATS: THE NEW RULES

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What's not an auto grat/service charge?

1. Payment must be completely voluntary
 2. Tip amount entirely set by customer
 3. Not dictated by employer policy
- “Suggested” tip amounts are OK
 - Tip belongs to the servers
 - Tip is not income to the restaurant

What's an Auto Grat/Service Fee?

- Tips added to a bill by the restaurant
- Corkage fees
- Room service charges
- Delivery fees
- The tip key on your POS system

If You Continue to Collect Auto Grats

- Collect the GA sales tax!
- Record “service fee income” on the P&L
- Service fee income belongs to the restaurant
- Payment of auto grats to servers is non-tipped wages – *Tell your payroll company!*
- The restaurant does NOT get FICA tip credit on non-tipped wages
- Servers must make at least minimum wage

Wages and Service Charges

- Overtime rate for servers is calculated using “regular rate of pay”
- Wages from service charges are part of “regular rate of pay”
- Take server minimum wage plus amounts received from service charges / 40 hours x 1.5 = overtime pay rate

What are others doing?

- Large national chains are experimenting with eliminating mandatory tips
- Trying “recommended” tip amounts printed on the guest checks
- They want to keep the FICA tip income tax credit
- Think about keeping some but not all auto grats/service charges. For example:
Auto grats on buy outs



Thanks for participating!

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