

TIPS

Tips received by the employee from the customer in the form of cash, check, or any other monetary item of exchange are wages subject to Unemployment Insurance (UI), Employment Training Tax (ETT), State Disability Insurance* (SDI), and California Personal Income Tax (PIT) if they total \$20 or more in a month, provided the employee reports the amount in a written statement furnished to the employer.

When tips are received by the employee from the employer, such as banquet tips or service charges, the amount is considered regular wages and is fully subject to UI, ETT, SDI, and PIT withholdings. Subject tips should be combined with regular wages on payroll reports (in Items G "Total Subject Wages" and H "PIT Wages" on the *Quarterly Contribution Return and Report of Wages [Continuation]*, [DE 9C](#)) filed with the Employment Development Department (EDD).

HOW TO REPORT TIPS

Use the following chart to determine reporting responsibility:

| RESPONSIBLE PERSON | ACTION |
|--------------------|--|
| Employee | <ul style="list-style-type: none"> • Upon receiving cash tips of \$20 or more during a calendar month, the employee shall report all cash tips to their employer. • Complete an <i>Employee's Report of Tips to Employer</i>, Form 4070, or prepare a written statement, in duplicate, and provide the following information: <ul style="list-style-type: none"> - Employee's name, address, and Social Security number. - Employer's name and address. - Calendar month or other period covered by the report. - Total amount of tips received. - Date of the report. - Date and employee signature. |

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| Employee | <ul style="list-style-type: none"> • Give the Form 4070/written statement to their employer on or before the 10th day of the month following the month in which the tips were received. • Upon termination of employment, the employee must furnish a statement of tips received that have not previously been reported to his or her employer. |
| Employer | <ul style="list-style-type: none"> • Upon receipt of the employee's tip statement, the employer signs and dates both copies of the document, retains the original, and returns the duplicate to the employee. • Since tips are considered earned at the time the written statement is furnished to the employer, the employer reports the tips on the DE 9C covering the date the employer receives the statement. <p><i>Example (1):</i> An employee received \$40 in tips in the month of May. The employee reports the tips to the employer on June 10. The tips received in May would be reported on the second quarter DE 9C.</p> <p><i>Example (2):</i> In the example above, the employee received the \$40 in the month of June and reports the tips to the employer on July 10. The tips received in June would be reported on the third quarter DE 9C.</p> <p><i>Example (3):</i> As in example (2), the employee received \$40 in June; however, the employee reported the \$40 in tips for that month on June 30. The tips received would be reported on the second quarter DE 9C.</p> |

* Includes Paid Family Leave (PFL).

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| Employer (cont.) | <ul style="list-style-type: none"> • The employer combines the reported tips with the employee's regular wages and reports the total in Items G and H on the DE 9C. • The employer withholds SDI contributions and PIT withholdings on the employee's reported tips from one of the following: <ul style="list-style-type: none"> - Wages payable at the time the tip statement is filed by the employee. - Wages that become payable later in the same calendar year that the tip statement is filed. - The employee directly, at the time the tip statement is filed or later in the same calendar year. • If unable to collect the SDI and PIT withholding due on reported tips (for example, the wages to be paid are insufficient), the employer can provide the employee with a <i>Statement of Amount Due From Worker</i>, DE 370, available from the EDD. Completion of the DE 370 or a similar statement relieves the employer of the uncollected employee liability. The DE 370 or similar statement must be issued in quadruplicate and distributed as follows: <ul style="list-style-type: none"> - Original and one copy issued to the employee. - Second copy is to be sent to the EDD. Please do not send a copy |

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| Employer (cont.) | <p>of the filed <i>Quarterly Contribution Return and Report of Wages</i>, DE 9, with the DE 370.</p> <p>EDD Special Processes Group PO Box 826800, MIC 13 Sacramento, CA 94280-0001</p> <p>Or you may fax the form to 1-916-654-3750</p> <ul style="list-style-type: none"> - Third copy retained in the employer's record. • If the employer estimates or allocates the amount of tips received by the employee, the employer will reconcile the estimation/allocation with the amount of tips actually reported by employee, adjusting for any differences between the amount of SDI and PIT withheld and the amount actually due. On the DE 9C for the quarter, the employer includes the actual amount of tips reported by the employee. |

ADDITIONAL INFORMATION

For further assistance, please contact the Taxpayer Assistance Center at 1-888-745-3886, or visit the nearest Employment Tax Office listed in the *California Employer's Guide*, [DE 44](#), or access the EDD website at www.edd.ca.gov/Office_Locator/.

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling 1-888-745-3886 (voice), or TTY 1-800-547-9565.

This information sheet is provided as a public service and is intended to provide nontechnical assistance. Every attempt has been made to provide information that is consistent with the appropriate statutes, rules, and administrative and court decisions. Any information that is inconsistent with the law, regulations, and administrative and court decisions is not binding on either the Employment Development Department or the taxpayer. Any information provided is not intended to be legal, accounting, tax, investment, or other professional advice.