

RESTAURANT AND HOTEL INDUSTRIES

The restaurant and hotel industries consist of establishments that are open to the public or are operated by membership organizations that furnish meals or lodging.

The restaurant industry is composed of establishments that prepare and serve meals and beverages. This includes, but is not limited to, restaurants, cafeterias, caterers, cocktail lounges, diners, fast food places, mobile food services, and takeout or delivery businesses.

Establishments in the hotel industry provide lodging to their customers or members and include, but are not limited to, hotels, motels, hostels, inns, rooming and boarding houses, fraternity or sorority residential houses, and residential clubs.

WHO IS AN EMPLOYEE?

A worker is a common law employee when the employer has the right to control the manner and means of accomplishing the work. Refer to *Information Sheet: Employment*, [DE 231](#), for additional information.

Types of employees that are typical in the restaurant and hotel industries are:

- Chefs
- Dishwashers
- Bus persons
- Maitre d's
- Cashiers
- Delivery persons
- Valets
- Maids
- Laundry persons
- Desk clerks
- Bellhops
- Cooks
- Kitchen helpers
- Waiters and waitresses
- Hosts and hostesses
- Managers
- Bartenders
- Clerical and office staff
- Switchboard operators
- Repair and maintenance persons

Other services that may be performed by an employee under common law rules include, but are not limited to, bookkeepers, janitors, and entertainers.

WHAT ARE WAGES?

Wages are payments made to an employee for services performed during employment. The payment may be made in cash or some medium other than cash. Types of payments typically considered to be wages are:

- Cash
- Meals and beverages
- Lodging
- Tips

Employer-provided meals and lodging are subject to Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance* (SDI). For additional information, refer to *Information Sheet: Wages*, [DE 231A](#), or *California Employer's Guide*, [DE 44](#).

Meals are subject to California Personal Income Tax (PIT) withholding and reportable as PIT wages unless furnished for the employer's convenience and on the employer's premises.

Lodging is also subject to PIT unless furnished on the employer's premises, for the employer's convenience, and as a condition of employment. For additional information, refer to *Information Sheet: Wages*, [DE 231A](#), or *Information Sheet: Personal Income Tax Wages Reported on the Quarterly Contribution Return and Report of Wages (Continuation)* ([DE 9C](#)), [DE 231PIT](#).

If more than half of the employees receive meals that are for the convenience of the employer, then all meals furnished by the employer are considered furnished for the employer's convenience and are therefore not subject to PIT withholding or reportable as PIT wages. If fewer than half of the employees receive meals which are for the convenience of the employer, then only those meals actually provided for the employer's convenience would be exempt from the PIT withholding and wage reporting requirements.

*Includes Paid Family Leave (PFL).

What Are the Values of Meals and Lodging?

The taxable values of meals and lodging should not be less than the reasonable estimated values stipulated by the contract of employment or in a union agreement. If the cash values are not stipulated in the hiring or union agreement, the taxable values are established by regulation. The taxable value of lodging is 66 2/3 percent of the ordinary rental value to the public up to a maximum per month and not less than a minimum value per week. The taxable values of meals and lodging are listed below:

VALUE OF MEALS						VALUE OF LODGING	
YEAR	DAY	BR.	LU.	DI.	UNID	MAX PER MONTH	MIN PER WEEK
2019	\$11.80	\$2.40	\$3.65	\$5.75	\$4.25	\$1,528	\$49.55
2018	\$11.60	\$2.40	\$3.55	\$5.65	\$4.15	\$1,456	\$47.25
2017	\$11.50	\$2.35	\$3.55	\$5.60	\$4.15	\$1,387	\$45.00
2016	\$11.40	\$2.35	\$3.50	\$5.55	\$4.10	\$1,332	\$43.20
2015	\$11.05	\$2.25	\$3.40	\$5.40	\$3.95	\$1,287	\$41.75

NOTE: These values apply to non-maritime employees only.
Lodging: 66 2/3 percent of ordinary rental value.

The cash values of meals and lodging are subject to change each calendar year. This information is found under Rates, Withholding Schedules, and Meals and Lodging Values on the EDD website at www.edd.ca.gov/Payroll_Taxes/Rates_and_Withholding.htm#MealsandLodging.

Wages Includes Tips

Employees who receive more than \$20 in tips in a calendar month shall report all tips in one or more written statements to the employer on or before the 10th day of the month following the month in which they are received from the customers. Tips are taxable when the employee's statement is furnished to the employer. Banquet tips and tips controlled by the employer are treated as regular wages, and their taxability is not contingent upon employees reporting them to the employer.

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 UI, ETT, SDI*, and PIT if they total \$20 or more in a month, provided the employee reports the amount in a written statement furnished to the employer. Tips should be combined with regular wages when reported to the EDD. Refer to *Information Sheet: Tips*, DE 231T, for more detailed information on reporting tips.

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, and on the EDD website at www.edd.ca.gov/Office_Locator/. Additional information is also available through the EDD no-fee payroll tax seminars. View the in-person course offerings on the EDD website at www.edd.ca.gov/Payroll_Tax_Seminars/.

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.

*Includes Paid Family Leave (PFL).

This information sheet is provided as a public service and is intended to provide non-technical 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.