

Tax and Licensing Division
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Tax Compliance Guide

Tips & Gratuities

(2/2022)

THIS GUIDANCE IS A SUMMARY IN LAYMEN'S TERMS OF THE RELEVANT AURORA TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS PROVIDED FOR THE CONVENIENCE OF TAXPAYERS AND IS NOT BINDING UPON THE CITY. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE AURORA MUNICIPAL CODE AND APPLICABLE RULES AND REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A CITY TAX POLICY.

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The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain services sold at retail. Such property includes, but is not limited to, food or meals sold by restaurants, bars and other food service establishments. The purchase price is defined broadly as "the aggregate value measured in currency paid or delivered, or promised to be paid or delivered, in consummation of a sale," and includes "the amount of money received or due in cash or credits." Retailers may not avoid the collection and payment of tax by categorizing charges as non-taxable services.

Food service establishments that impose mandatory gratuity charges must include such charges in the taxable purchase price even though the full amount of the gratuity may be paid to the server. Retailers who include a suggested gratuity on the bill, which is not mandatory and may be reduced by the purchaser, need not collect tax on this charge. The retailer's policy of allowing the purchaser to reduce the gratuity must be clearly stated on the menu or the receipt. Similarly, retailers should not collect or remit tax on voluntary tips or gratuities added to the total by the purchaser.

Mandatory service charges or gratuities added by catering services or banquet halls to the price of food must be similarly taxed.

Examples

1. Restaurant A charges a mandatory gratuity of 12% for parties of eight or more. The bill for a party of nine included \$400.00 for meals, a \$50.00 bar tab, and a \$54.00 mandatory gratuity. Restaurant must collect sales tax on the entire bill (\$504.00).
2. Restaurant B provides a receipt to each customer prior to their final bill with a blank line labeled "Tip/Gratuity". The customer then enters a gratuity amount and pays the total bill including the gratuity. The amount of the voluntary gratuity is not subject to sales tax.

Related Topics

Restaurants & Bars
Lodging Industry

Citations

Aurora Municipal Code
§ 130-31. Definitions
§ 130-33. Legislative Intent
§ 130-156. Taxable Items
§ 130-160. Responsibility for payment
§ 130-161. Schedule of Taxes
§ 130-196. Levy
§ 130-199. Use tax credit

Contact Us

For additional assistance, please contact us:

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