

875—217.55(91D) Examples of amounts not received as tips.

217.55(1) A compulsory charge for service, such as 15 percent of the amount of the bill, imposed on a customer by an employer's establishment, is not a tip and, even if distributed by the employer to employees, cannot be counted as a tip received. Similarly, where negotiations between a hotel and a customer for banquet facilities include amounts for distribution to employees of the hotel, the amounts so distributed are not counted as tips received. Likewise, where the employment agreement is such that amounts presented by customers as tips belong to the employer and must be credited or turned over to the employer, the employee is in effect collecting for the employer additional income from the operations of the latter's establishment. Even though the amounts are not collected by imposition of any compulsory charge on the customer, plainly the employee is not receiving tips. The amounts received from customers are the employer's property, not the employee's, and do not constitute tip income to the employee.

217.55(2) Service charges and other similar sums which become part of the employer's gross receipts are not tips. However, where the sums are distributed by the employer to the employees, the amounts may be used in their entirety to satisfy the monetary requirements of this chapter. Also, if pursuant to an employment agreement the tips received by an employee must be credited or turned over to the employer, the sums may, after receipt by the employer, be used by the employer to satisfy the monetary requirements of this chapter. In those instances, there is no applicability of the 40 percent limitation on tip credits provided by Iowa Code section 91D.1(1) "c."

SOURCE: 29 CFR 531.55.