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Reading the Fine Print: Changes in Legal Framework for the Assessment and Display of Service Charges

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Service charges, administrative charges, surcharges, house fees-whatever you call those charges assessed for food and beverage service in restaurants and in hotels-the rules about how they need to be disclosed to guests and how they must be allocated are propagating. More and more cities, municipalities and other local legal bodies are taking on service charges in detailed laws, and we expect more to come.

Interest in this issue at all levels of lawmaking seems to be increasing as living wage/minimum wage raise efforts become more and more popular throughout the country. Many such efforts result in laws that also affect how service charges may be collected, distributed and how they must be disclosed to consumers. In other words, the locus for relevant law in this area has shifted significantly from the state to the county or city level.

For example, over the last couple years, the California cities of [Emeryville](#), [Los Angeles](#), [Oakland](#) and [Santa Monica](#) have each addressed service charges, either generally or in hotel-specific ordinances. An amendment to a [New York state labor law](#), effective in 2011, included a requirement that all disclosures about service charges be in 12-point font that was stuck between a rebuttable presumption that a service charge is a gratuity and how to handle tips paid with credit cards.

It's a good idea to keep an eye on legislative efforts to raise the minimum wage across the country because, as mentioned, sometimes other important things are added when the relevant laws are passed. We are developing resources to keep track of all these various and sundry city, county and state changes in this area and encourage all hospitality industry members to do the same.

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