

# HOUSE BILL REPORT

## SHB 1583

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### As Passed Legislature

**Title:** An act relating to disclosure of the percentage of automatic service charges paid to servers.

**Brief Description:** Requiring disclosure to customers of the percentage of automatic service charges paid to servers.

**Sponsors:** By House Committee on Commerce & Labor (originally sponsored by Representatives Moeller, Conway, Darneille, Wood, Green, Ormsby and Morrell).

#### **Brief History:**

##### **Committee Activity:**

Commerce & Labor: 2/22/07, 2/26/07 [DPS].

##### **Floor Activity:**

Passed House: 3/12/07, 91-7.

Passed Senate: 4/13/07, 41-3.

Passed Legislature.

#### **Brief Summary of Substitute Bill**

- Requires employers that provide food, beverage, entertainment, or portorage to disclose the percentage of automatic service charges that are paid directly to employees.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Green, Moeller and Williams.

**Staff:** Jill Reinmuth (786-7134).

#### **Background:**

Neither federal nor state law requires businesses that impose automatic service charges to disclose the percentage of such charges that are paid to employees.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

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**Summary of Substitute Bill:**

Employers that provide food, beverages, entertainment, or portage must disclose the percentage of automatic service charges that are paid directly to the employees serving the customers. The disclosures must be in itemized receipts and menus provided to the customers. The service charges are separately designated amounts collected from customers that are for services provided by employees or are described in such a way that customers might reasonably believe that the amounts are for services provided by employees. The service charges are in addition to hourly wages paid to employees. Examples include charges designated as service charges, gratuities, delivery charges, and portage charges.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill is pretty simple. It requires that the menu show who gets the automatic service charge. Most customers think all of the service charge or the tip goes to the employee providing services to the customers. While some employers give all of the charge to that employee, others give only a little. It is increasingly common that employers give none of the charge to that employee. Customers don't understand, and sometimes, employees don't either. This bill would make it clear who is getting what.

(Neutral) Services charges are subject to B&O tax, sales tax, and income tax.

(Available for questions) There is a fiscal note because this bill would add another layer of enforcement. If there are complaints from employees or customers, the Department of Labor and Industries would be required to investigate the complaint in the same manner as other wage payment complaints. We assume that there would be 99 percent compliance.

(Opposed) None.

**Persons Testifying:** (In support) Representative Moeller, prime sponsor; and Rick Sawyer, Gregory Avent, Rebecca Carilao, and Wanda Buck, UNITE HERE.

(Neutral) Trent House, Washington Restaurant Association.

(Available for questions) Suchi Sharma, Department of Labor and Industries.

**Persons Signed In To Testify But Not Testifying:** None.