



Information Sheet

Restaurant and Hotel Industries

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

The restaurant industry consists of establishments that prepare and serve meals and beverages. This can include restaurants, cafeterias, caterers, cocktail lounges, diners, fast food places, mobile food services, and takeout or delivery businesses.

Establishments in the hotel industry provide lodging for customers or members. This includes hotels, motels, hostels, inns, rooming and boarding houses, fraternity or sorority residential houses, and residential clubs.

Typical employees in the restaurant and hotel industry include:

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

Other services that may be performed by an employee are bookkeepers, janitors, and entertainers.

Who Is an Employee?

Under the California Unemployment Insurance Code (CUIC), an employee may be one of the following:

- An individual meets the ABC test¹ under section 621(b) of the CUIC.
- An individual who meets the *Borello* test² (when ABC test does not apply).
- An individual who is considered an employee under specific laws.

An employee can work permanently, temporarily or part-time. Employment includes work often called day labor, part-time help, casual labor, temporary help, probationary, or outside labor. Refer to [Information Sheet: Casual Labor \(DE 231K\) \(PDF\)](http://edd.ca.gov/pdf_pub_ctr/de231k.pdf) (edd.ca.gov/pdf_pub_ctr/de231k.pdf).

The ABC Test for Classifying Individuals

Under the ABC test, a worker is considered an employee and not an independent contractor, unless the hiring entity satisfies all three of the following conditions:

- A. The worker is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.
- B. The worker performs work that is outside the usual course of the hiring entity's business.
- C. The worker is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

While the ABC test applies for most workers, there are exceptions to the ABC test that are defined in sections 2776 through 2784 of the [Labor Code](http://leginfo.ca.gov/faces/codes.xhtml) (leginfo.legislature.ca.gov/faces/codes.xhtml). If each section's factors are all satisfied, the *Borello* test is used to decide whether the individual is an employee or independent contractor.

For information on the ABC test, *Borello* test and other ABC test exceptions, refer to [Information Sheet: Employment \(DE 231\) \(PDF\)](http://edd.ca.gov/pdf_pub_ctr/de231.pdf) (edd.ca.gov/pdf_pub_ctr/de231.pdf) and visit the [Employment Status Portal](http://labor.ca.gov/employmentstatus/employers/) (labor.ca.gov/employmentstatus/employers/).

What Are Wages?

Wages are payments made to employees for services performed during employment. The payment may be made by check, cash, electronic payments or reasonable value of noncash payments. Types of payments typically considered to be wages are:

- Cash
- Lodging
- Meals and beverages
- Tips

Taxability of Meals and Lodging

Meals and lodging provided by employers are subject to Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI).

Meals are subject to California Personal Income Tax (PIT) withholding and reportable as PIT wages unless they are provided for the employer's benefit and on the employer's property.

If more than half of the employees receive meals for the benefit of the employer and on the employer's property, then all meals provided by the employer are considered for the employer's benefit and are not subject to PIT withholding or reportable as PIT wages.

If less than half of the employees receive meals for the benefit of the employer and on the employer's property, then only those meals provided for the employer's benefit are exempt from the PIT withholding and wage reporting requirements.

Lodging is also subject to PIT unless provided on the employer's property, for the employer's benefit and as a condition of employment.

For more information, refer to the following:

- [Information Sheet: Wages \(DE 231A\) \(PDF\)](http://edd.ca.gov/pdf_pub_ctr/de231a.pdf) (edd.ca.gov/pdf_pub_ctr/de231a.pdf)
- [Information Sheet: Personal Income Tax Wages Reported on the Quarterly Contribution Return and Report of Wages \(Continuation\) \(DE9C\) \(DE 231PIT\) \(PDF\)](http://edd.ca.gov/pdf_pub_ctr/de231pit.pdf) (edd.ca.gov/pdf_pub_ctr/de231pit.pdf)
- [California Employer's Guide \(DE 44\) \(PDF\)](http://edd.ca.gov/pdf_pub_ctr/de44.pdf) (edd.ca.gov/pdf_pub_ctr/de44.pdf)

Taxable Values of Meals and Lodging

The taxable values of meals and lodging should not be less than the values agreed to in an employment contract or in a union agreement. If the cash values are not set in the employment contract or union agreement, the taxable values are established by regulation. For lodging, the taxable value is 66 2/3 percent of the ordinary rental value to the public, up to the minimum and maximum values in the following table.

Visit [Contribution Rates, Withholding Schedules, and Meals and Lodging Values](http://edd.ca.gov/en/payroll_taxes/rates_and_withholding) (edd.ca.gov/en/payroll_taxes/rates_and_withholding).

Value of Meals						Value of Lodging	
Year	Day	Break-fast	Lunch	Dinner	Un-identified	Max Per Month	Max Per Week
2026	\$15.85	\$3.25	\$4.90	\$7.70	\$5.70	\$2,038	\$66.10
2025	\$15.40	\$3.15	\$4.75	\$7.50	\$5.50	\$1,946	\$63.15
2024	\$14.85	\$3.05	\$4.55	\$7.25	\$5.35	\$1852	\$60.05
2023	\$13.85	\$2.85	\$4.25	\$6.75	\$4.95	\$1759	\$57.05
2022	\$12.95	\$2.65	\$4.00	\$6.30	\$4.65	\$1715	\$55.60
Note: These values apply to non-maritime employees only. Lodging: 66 2/3 percent of ordinary rental value.							

Wages Includes Tips

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.

Employees who receive more than \$20 in cash tips in a month must report to their employer in writing by the 10th day of the next month in which they are received from the customers. Cash tips are taxable when the employee's written statement is provided to the employer. The employer reports the tip as earned on the date the employer receives the written statement.

Banquet tips, service charges and tips controlled by the employer are treated as regular wages. These are taxable even if the employee doesn't report them.

Tips should be added to regular wages when reporting to us. Refer to [Information Sheet: Tips \(DE 231T\) \(PDF\)](http://edd.ca.gov/pdf_pub_ctr/de231t.pdf) (edd.ca.gov/pdf_pub_ctr/de231t.pdf) for more detailed information on reporting tips.

References

¹ Effective January 1, 2020, section 621(b) of the CUIIC was amended to apply a new standard for classifying individuals as employees.

² The California Supreme Court established the *Borello* test in *S.G. Borello & Sons, Inc. v. Dept. of Industrial Relations* (1989) 48 Cal.3d 341.

More Information

- **Call:** The Taxpayer Assistance Center at 1-888-745-3886.
- **Online:** Find the nearest [Employment Tax Office](http://edd.ca.gov/Office_Locator) (edd.ca.gov/Office_Locator). More information is also available through our no-cost [payroll tax webinars](http://edd.ca.gov/payroll-tax-webinars) (edd.ca.gov/payroll-tax-webinars).
- **Visit our website:** [Payroll Taxes](http://edd.ca.gov/en/payroll_taxes) (edd.ca.gov/en/payroll_taxes).

EDD is an equal opportunity department for this information. If you need help or services because of a disability, call 1-888-745-3886 (voice) or TTY 1-800-547-9565. If you use a TTY, call the California Relay Service at 711.

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