

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF TAX AND REVENUE



April 28, 2023

OTR TAX NOTICE 2023 – 03

Sales Tax on Additional Mandatory Charges as a Result of Initiative 82

Initiative 82, passed by District voters in November 2022, eliminated the tipped minimum wage for servers, bartenders and other tipped workers which was \$5.35. ([See, Initiative Measure No. 82 - District of Columbia Tip Credit Elimination Act of 2021, D.C. Law 24-0281](#)). To reach the DC minimum wage, currently \$16.10, the minimum wage difference was made up with gratuities, whether voluntarily given by consumers or required to be paid by consumers. This gratuity is otherwise known as the “tip credit.” Beginning on May 1, 2023, employers are required to supplement workers’ pay if the worker did not earn enough in tips to reach the DC minimum wage. The tipped minimum wage will be phased out by 2027 to be replaced with one universal minimum wage.

As businesses begin to comply with Initiative 82, OTR has received several inquiries from consumers who have recently noticed an additional line-item mandatory charge on their bills from establishments such as restaurants, food establishments, liquor stores, hotels, and other retailers. These charges may be characterized as a “fair wage service charge,” “packaging fee,” “resort fee” or other similar description, and are added to the total amount of the sales price of the transaction.

OTR reminds businesses and consumers that, under District law, if the tangible personal property or taxable service being sold is subject to District sales tax, the business must collect and remit a sales tax on **the total sales price**. See, D.C. Code [§ 47-2001\(g-3\)](#) and [§ 47-2001\(p\)\(1\)](#). Therefore, if a business adds a mandatory service charge, fee or other similar item to the total sales price, District sales tax is due on the total sales price including the mandatory service charge or fee.

For additional information regarding the taxability of these mandatory charges, please contact OTR’s Customer Service Center at (202) 727-4TAX (4829). If you have questions about whether such charges are legal in the District, please contact the Office of Attorney General, Office of Consumer Protection at www.oag.dc.gov/consumer-protection or (202) 442-9828.